

6/19/78 [2]

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Kraft & Gammill to Pres. Carter, w/attachments 5 pp., re: recommendations	6/15/78	C
Report	Report of Deficiency Act violations, 3 pg.	n.d.	C
Memo	Gerard Smith to Pres. Carter, 1 pg., re: Reactors <i>opened per RAC NLC-126-13-8-1-8, 6/12/13</i>	6/15/78	A
Letter	PM Callaghan to Pres. Carter, w/attachments 4 pp., re: Correspondence w/ Foreign Head of State <i>opened per RAC NLC-126-13-8-2-7, 6/12/13</i>	6/17/78	A
Memo	Henry Owen to Pres. Carter, w/attachments 11 pp., re: Legislative constraints on Foreign Assistance <i>opened per RAC NLC-126-13-8-3-6, 6/12/13</i>	6/15/78	A
Memo	McIntyre & Owen to Pres. Carter, w/attachments 16 pp., re: Aid to Caribbean/Letters to Foreign Heads of State <i>opened per RAC NLC-126-13-8-4-5, 6/12/13</i>	6/15/78	A
Minutes	Cabinet Meeting Minutes, 9 pp. <i>opened per RAC NLC-126-13-8-5-4, 6/12/13</i>	6/19/78	A

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3031

THE WHITE HOUSE
WASHINGTON
June 19, 1978

Stu Eizenstat
Bob Lipshutz

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

CAB DECISION

THE WHITE HOUSE

WASHINGTON

June 17, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

BOB LIPSHUTZ
STU EIZENSTAT

et al
Stu

RE:

CAB Decisions:

- (1) TACA International Airlines, S.A.
Docket 32220
 - (2) AEROPERU - Docket 31360
 - (3) Compania Mexicana De Aviacion, S.A.
Docket 32296
-

The CAB proposes to issue air carrier permits which would:

- (1) authorize TACA (a carrier controlled by citizens of El Salvador) to conduct charter and scheduled flights between San Salvador, El Salvador and Miami or New Orleans with intermediate stops at various Central American cities;
- (2) authorize AeroPeru to conduct flights between Lima, Peru and Miami and New York, on the one hand, and Lima, Peru and Los Angeles, on the other, until July 7, 1978, the expiration date of an understanding between the respective governments which is being renegotiated;
- (3) authorize Compania Mexicana to conduct flights over 13 routes specified in the recently amended bilateral aviation agreement with the Mexican government.

The interested agencies have no objection to the Board's proposed orders. We recommend that you approve them.

✓

Approve

Disapprove

(THREE SIGNATURES REQUESTED)

2853

THE WHITE HOUSE
WASHINGTON

June 19, 1978

Jim McIntyre

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

REPORT ON REVIEW OF FEDERAL
PLANNING REQUIREMENTS AND PLAN
FOR IMPLEMENTATION OF REFORMS



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUN 5 1978

*Jim -
ok - if
necessary
J*

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. MCINTYRE, Jr. *Jim*

SUBJECT: Report on Review of Federal Planning Requirements
and Plan for Implementation of Reforms

Background

On July 19, 1977, you issued a directive to the heads of departments and agencies to conduct a zero-base review of planning requirements imposed on State and local governments as a condition of receipt of financial assistance. The objective was to identify opportunities to eliminate, simplify, and consolidate these requirements. You directed OMB to assist the agencies with these reviews and report on their progress. This memorandum is to advise you of the results to date and plans for further action.

Review Comments

In response to your directive, we identified 162 Federal assistance programs in 17 Federal agencies which impose planning requirements as a condition for receiving financial assistance. Over 4,000 separate planning and related requirements were identified and evaluated by the agencies and an OMB-led interagency task force.

It is clear from our review that Federal officials have differing perspectives on the need for and character of planning requirements from those of State and local officials. Federal agencies view planning requirements as a major administrative technique for assuring that programs meet statutory intent and national policy objectives and are well managed. State and local governments concede the need for some form of Federal planning requirements. However, they find that these requirements are too numerous, prescriptive, inflexible, and duplicative. In short, State and local officials view these requirements as very burdensome. This report attempts to strike a balance between these differing perspectives.

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR THE HEADS OF
EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Implementation of Federal Planning
Requirements and Reform Proposals
for Domestic Assistance Grants

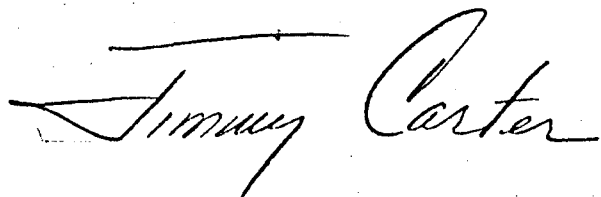
Last July I requested a thorough review of all Federal planning requirements accompanying Federal assistance programs. The findings confirm that Federal planning requirements are complex and pervasive.

The more than 4,000 identified planning requirements attached to over 160 Federal financial assistance programs administered by 17 Federal agencies vary greatly in methodology, governmental level of primary impact, utility and importance.

Many of them are necessary to ensure that Federal assistance programs comply with the law. But others are obviously unnecessary. Some may actually thwart the purposes they were intended to achieve. These should of course be eliminated or corrected. The rest should be rewritten as simply and understandably as human beings can make them.

Please start doing this immediately. You should consult with other Federal agencies, the Congress, State and local governments, and other interested parties.

I have asked the Director of the Office of Management and Budget to monitor your efforts, giving a progress report in January 1979, and a final report in July 1979.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned at the bottom right of the page.

THE WHITE HOUSE

WASHINGTON

June 16, 1978

①

MEMORANDUM FOR THE PRESIDENT

FROM:

Jack Watson *Jack*

SUBJECT:

PROPOSED AGENDA FOR THE CABINET
MEETING ON MONDAY, JUNE 19, 1978

I. Miscellaneous Items

- (1) In my weekly report I outlined some comments that you might want to make regarding Cabinet Members' follow-up on federal aid reform. I shall have a copy of your September 9 directive for each of them at the Cabinet meeting on Monday morning. I have been in touch with most of the Cabinet Members in the last two weeks regarding public official "feedback" we have received on their efforts to implement your directive. I have also sent each of them a memorandum outlining some of the specific problems they need to address. A word from you on the subject would be helpful.
- (2) As you know, there continues to be a serious problem in getting strong departmental support for holding the line against Congressional increases in the FY 79 budget. A strong comment by you on the subject would be appropriate.
- (3) A couple of Cabinet Members have given the OMB overview on the FY 80 budget (using the OMB charts) to the Assistant Secretaries and other policy members in their Departments with apparently very good results. OMB is preparing view graphs for other departments to use if they would like to make similar presentations. I think it is a good idea. We are also considering similar briefings for the Federal Regional Councils. You might mention that these further briefings constitute a good way to get other people in the Departments sensitized to the need for budget restraint in preparing the FY 80 budgets and encourage Cabinet Members to follow through with them.

- (4) Tim Kraft asked that you mention that the Democratic Midterm Conference will be held in Memphis, Tennessee on December 7-10. Cabinet Members will be asked to participate in briefing sessions at the Conference and should alert their schedulers to this. John White will be in touch with them individually about the Conference soon.

II. Status Reports on Current Priority Domestic Issues:

Anti-inflation policy <
Labor law reform <
Energy legislation <
Civil Service reform <
Hospital cost containment <
Labor/HEW appropriations bill <
USDA appropriations bill
Airline deregulation and noise bills <
DoT appropriations bill <
Defense appropriations bill <
Water projects <

III. Foreign Affairs:

Turkish arms embargo <
NATO hearings
Cy Vance's scheduled testimony before
HIRC on U. S. policy towards the
Soviet Union and Africa
Foreign assistance appropriations

cc: The Vice President

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

CHARLES L. SCHULTZE, CHAIRMAN
LYLE E. GRAMLEY
WILLIAM D. NORDHAUS

June 15, 1978

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Lyle E. Gramley *LEG*

Subject: Housing Starts and Personal Income in May

Figures on housing starts and personal income in May will be released tomorrow (Friday, June 16) about 2:30 p. m.

Housing Starts

New housing starts declined 5 percent in May to an annual rate of 2.075 million. Declines occurred in both single-family and multi-family units and were widespread geographically. New residential building permits also declined in May, by about 9 percent. These changes are not large for statistical series that typically have large month-to-month variability.

Housing starts and residential building permits both increased strongly in March and April as builders sought to make up for January-February losses due to adverse weather. The May decline may reflect no more than the end of this temporary stimulus to activity. On the other hand, the May decline may be the first sign that rising mortgage interest rates and decreasing mortgage credit availability are taking their toll. We have no way of knowing at this time which of these explanations is the more likely.

Personal Income

Personal income rose by 0.9 percent in May, compared with increases of 1.3 percent in both March and April. A much smaller rise in total wage and salary disbursements in May than in the previous two months was the principal reason. The reduced growth of wage and salary payments in May does not come as a surprise, since employment growth slowed, the length of the work week declined, and the rise in average hourly earnings was small.

In Charlie Schultze's recent overview memo on economic developments, he expressed the view that the monthly pattern of economic indicators in the second quarter would show a levelling in the pace of expansion following the March-April rebound. These May housing starts and personal income figures are consistent with that view.

DEPARTMENT OF STATE
AMBASSADOR AT LARGE
WASHINGTON

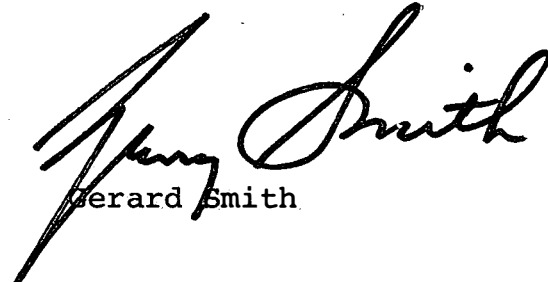
~~CONFIDENTIAL~~

June 15, 1978

MEMORANDUM FOR THE PRESIDENT
THE WHITE HOUSE

Pursuant to your agreement with Geisel, I explained our new law to Foreign Minister Silveira and his technical advisers this week. It appears that Brazil will meet the law's conditions to permit us to supply their first power reactor, but prospects are not bright for broader cooperation or for any change in their policy re going for a national full fuel cycle capability.

I leave on Thursday, the 22nd, for South Africa to try to get that government to keep its nuclear efforts peaceful. The chance of our making any progress would, I think, be increased if I could have a few minutes of your time next week.


Gerard Smith

~~CONFIDENTIAL~~

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Per: Rac Project
ECON: NLG-126-13-8-1-8
BY: K59 NARA DATE: 6/7/13

THE WHITE HOUSE

WASHINGTON

June 17, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM:

RICK HUTCHESON *Bill Simon for RH*

SUBJECT:

Status of Presidential Requests

MCINTYRE:

1. (5/21) (and Eizenstat) Expedite Pension Commission; prepare statement for the President -- In Progress, (awaiting Mr. Kirbo's agreement to serve on commission).

WATSON:

1. (5/12) (and McIntyre) The President wants a small, clear and clean assignment of personnel under Jack to: a) continue what he is doing now; and b) to coordinate urban policy implementation. Work together, expedite, and then see the President with your joint recommendation on the implementation of the inter-agency coordinating council -- In Progress, (memo from Watson and McIntyre expected 6/20).

BRZEZINSKI:

1. (6/5) You and Schlesinger set up a brief meeting for a lab director and the President concerning zero-yield comprehensive test ban. The President wants to know: a) how the device works, and b) what the Soviet position is on this issue -- Done. *done*
2. (6/14) Comment tomorrow on the letter from Senator Thurmond concerning the adverse impacts on our country in connection with the proposed exchange of instruments of ratification and protocol of exchange relating to Panama Canal Treaties in Panama on Friday -- Done. *done*

WISE:

1. (6/12) Comment on the letter from Harold Brown inviting the President to the 6/30 ceremony honoring General Jones, Allen and Admiral Hayward as they become new members of Chiefs of Staff -- Done. *done*

V. WEAVER:

1. (6/12) Comment on your Weekly Report entry about the SBA concern over proposed regulations for floodplain management and wetlands protection; and the manner in which regulations could effect serious delays in loan processing -- In Progress, (memo recieved from Weaver, Stu is reviewing, expected 6/20).

SECRETARY CALIFANO:

1. (6/12) Get the President a memo formally requesting an hour of the President's time in the last 10 days of June for the public announcement of NHI principles -- Done (for 6/14 meeting).

done

JORDAN:

1. (6/12) We need to move on TVA -- In Progress, (memo from Kraft and Gammill expected 6/20).

ARMY SECRETARY ALEXANDER:

1. (2/9) Please act without delay to recommend several nominees for Assistant Secretary of the Army for Civil Works. The President will consult with you personally before making the appointment -- In Progress, (expected 6/20)

THE WHITE HOUSE
WASHINGTON

rick--

please send me cc

thanks -- susan

cc Susan
me

Bill - make sure The
Things listed for 6-20
get here from

3179

THE WHITE HOUSE
WASHINGTON
June 19, 1978

Jack Watson

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

STATUS REPORT

cc JW

THE WHITE HOUSE
WASHINGTON

C
/

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*

SUBJECT: Status Report for the Week Ending June 16, 1978

Rural Initiative

This week and next we are convening the first meetings of inter-agency working groups to deal with chronic administrative problems among agencies responsible for dealing with small towns and rural areas regarding:

- ° Rural Health
- ° Rural Housing
- ° Transportation
- ° Water and Sewer Programs

Attached is a memorandum outlining the nature of the work to be undertaken and the specific "products" we expect to have ready within the next six months.

U.S. Conference of Mayors

As you know, the Vice President is speaking at the Conference next Tuesday; my staff and I will be there earlier in the week. The incoming Chairman of USCM is Mayor Bill McNichols of Denver. Next in line is Mayor Richard Carver of Peoria.

Location of Federal Facilities

You asked me to work with Jay Solomon to encourage agencies to relocate from suburban areas into the cities. In fact, we had already discussed the issue in the IACC. Walt Kallaur on Jay's staff is devising a review system for facility siting problems, and the IACC members will be responsible in their agencies for following through.

Federal Aid Reform Follow-up

At the next Cabinet meeting, you may wish to refer to the importance you place on agencies following up on the directive you gave them last September 9 to reform their systems for disbursing over \$70 billion in federal aid to state and local governments each year. More focused comments would be helpful in your meeting with individual Cabinet members in the weeks alternate to the Cabinet meetings. At the Cabinet meeting, the following points would be in order.

- ° Federal Aid Reform continues to be one of your priorities and a key element in the Administration's goal of "making government work;"
- ° Elimination of waste and unnecessary duplication in federal aid is even more important given the national sentiment on Proposition 13 and the budgetary objectives of this Administration; we must make every program dollar count if we are to achieve our goal of targeting federal aid and properly allocating scarce federal dollars;
- ° Jack Watson has been in touch with most of you in the past few weeks with regard to public official feedback received on agency efforts thus far to implement your September 9th directive;
- ° You expect Cabinet Secretaries to take a personal interest in completing the follow-up and addressing the problems identified from field comments; and
- ° You have asked Jack to provide you with a status report on the agency activities to implement the reforms on the first anniversary of the initiative -- September 9.

You may wish to hand out copies of your initiatives to the Cabinet last fall as a prod to fuller compliance. If you wish to do so I will have copies available at the Cabinet meeting. *oh*

I will provide you with a one-page summary of the federal aid reform efforts and public criticism of each department prior to your individual meetings with Cabinet Secretaries or agency heads.

Interagency Coordinating Council (IACC) Announcements

We are trying to arrange periodic announcements of coordinated and innovative interagency efforts by the departments in operating their programs.

- As you know, on Thursday, the First Lady announced a HUD/HEW project which will provide community-based housing with supportive services for the deinstitutionalized mentally ill.
- On Friday, EPA and DOT announced the integration of their transportation and air quality planning processes. From now on, state and local governments will prepare both air quality and transportation plans under a common set of guidelines, and both agencies will jointly review the plans at the regional level in an effort to detect problems and correct them before projects get too far along. It is an unprecedented move for the two agencies which promises some very good results.
- Our next event will be the announcement of a major urban housing initiative. HUD has earmarked \$180 million to rehabilitate and improve 20-25 major public housing projects. It is the beginning of a long-term effort by HUD to deal with the problem of deteriorating conditions in many large, often crime-ridden, public housing complexes across the nation. During the next couple of weeks, we will be working to bring other agency resources to bear on the program, particularly DOL's jobs money to hire unemployed youth living in the housing projects to do the rehab work, and LEAA to help provide innovative security features such as neighborhood patrols and "defensible space" architecture.

If a significant interagency commitment can be lined up in advance of HUD's announcement, we will arrange for Pat Harris and the other agencies to make the announcement at the White House. The crime prevention aspects could be a significant part of this effort.

SBA

The surety bond issue between OMB and SBA that Vernon Weaver mentioned in his last weekly report has been resolved to the satisfaction of both parties.

Proposition 13

A status report of recent events is attached.

Small Town and
Rural Initiatives

THE WHITE HOUSE

WASHINGTON

June 16, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

Jack Watson
Larry Gilson

SUBJECT:

Small Town and Rural Initiatives

As an analog to our efforts to implement the Urban Policy, and in keeping with your emphasis on reviewing existing programs and finding ways to make them work better, we have undertaken a major effort to rationalize federal programs targetted toward the problems of rural areas and small towns.

In collaboration with Stu's staff and operating officially under the auspices of the statutorily created Assistant Secretaries' Working Group on Rural Development, we are focusing on the major, long-standing administrative problems in four areas:

- o Health
- o Housing
- o Transportation
- o Water and Sewer Programs

We have established interagency task forces and developed work plans to produce at least the following firm results over the next six months:

I. Health

o Health Care Facilities

- We want to develop a memorandum of agreement between USDA and HEW under which HEW will direct funds to rural communities through the Rural Health Clinic Act, Medicare, Medicaid, and other sources sufficient to provide greater predictability than has been the case in the past. In turn, USDA would fund the construction of health clinics and long-term care

facilities--not just hospitals--since the greater funding certainty would make the USDA loan risk acceptable. Such an agreement will end the historical practice whereby about 70 percent of all Farmers Home Administration (FmHA) construction loans are made for hospital construction, whereas almost none is made to flexible facilities of the kind HEW believes rural communities really need.

- An HEW task force has been convened to examine ways in which schools can be encouraged to share their facilities with local health programs.

- o Health Manpower

- HEW and DOL are developing an interagency agreement regarding the use of CETA funds to provide preventive and supportive services in rural health centers.
- A meeting with selected deans of medical schools serving rural states will be convened to explore ways to encourage those schools and their students to devote more attention to the kinds of skills needed in rural practices and to encourage the graduates to locate in rural areas.
- HEW is clarifying the Administration's policy on the placement of National Health Service Corps personnel in rural and urban areas. Rural interests fear a decrease in the number of Corps personnel available to serve in medically-underserved rural areas. We need to emphasize that our expansion of the pool of Corps members will make it possible to expand Corps activity in urban areas--as promised in the Urban Policy--while at least maintaining the current levels of Corps activity in rural areas.
- HEW is developing ways to promote the full implementation of the Rural Health Clinic Act which you signed and which recognizes the expanding use of physicians' assistants and nurse practitioners as alternatives to doctors. Where changes in the administration of the program seem appropriate, they will be pursued.

o Emergency Medical Services

- I have asked HEW to take the lead in developing a demonstration program in emergency medical communications. Involving the participation of DOT, DOD, Commerce and LEAA, as well as HEW, ten sites will be selected for pilot projects.

II. Housing

o Construction Standards

- HUD and FmHA are working to coordinate their regulations on building materials, central heating, insulation, lot size, lot location, access roads, etc., in an effort to assure that the uniform standards are appropriate for rural lifestyles.

o Local Capacity/Credit

- We are developing a pilot project with the Federal Home Loan Bank Board and other financial regulatory agencies under which those entities would encourage local rural banks and savings and loans to commit certain funds for homeownership and restoration in their own communities. States would agree to maintain deposits in local banks which participated. The regulatory agencies would underwrite the costs of placing a rural housing coordinator in each target community.
- An agreement is being negotiated under which FmHA will agree to sell some of its repossessed rural housing stock to specially created Community Development Corporations administered by CSA. The housing would be restored using DOL subsidized workers and then sold to low-income residents under a FmHA mortgage and rent subsidy program.
- A joint program involving HUD, FmHA, ACTION, and CSA is being developed to increase technical assistance to rural housing organizations, especially non-profit community agencies.

III. Transportation

o Coordination of Categorical Grant Programs

- A "core" of uniformly accepted administrative procedures for administering categorical public transportation programs is being developed. (GAO identified 114 such programs.)
- An agreement among HEW, DOT, and others is being negotiated to facilitate sharing resources among separate programs (vehicles, personnel, costs).
- Common vehicle standards and regulations are being prepared among HEW, DOT, and others.
- A strategy for easing state regulations for insurance of rural public transportation vehicles is being prepared.
- Under DOT leadership, four sets of hearings and field visits to rural areas on rural transportation are being conducted in late June and July.

o Jobs/Commuter Transportation

- DOL and EDA are developing an agreement for use of CETA money to help in transporting CETA workers to jobs or training centers in nearby communities.
- Other transportation issues affecting jobs in rural areas (such as the continuation of small airports and the impact of cutbacks in branch line railroad freight service) will be reviewed as the project progresses.

IV. Water and Sewer Programs

- EPA, FmHA, and EDA are developing a single set of application forms and requirements for local rural applicants for federal water and sewer assistance.
- CEO is reviewing the environmental regulations of FmHA, EPA, EDA, and HUD for water and sewer projects to see how they can be made more compatible.

- A list of all the federal technical assistance available to rural communities for water and sewer planning, construction or operations is being developed preparatory to instituting an automatic referral system for rural communities seeking help.
- EPA and FmHA are negotiating an agreement under which FmHA will automatically review the needs' assessments of small communities seeking EPA water and sewer grants; and
- A training program for FmHA personnel and others is being developed so that federal officials in the field will be competent to advise local communities on the full range of alternative federal assistance available. (A handbook for use by federal and local officials is being prepared as part of this effort.)

This range of activity will allow us to be genuinely responsive to widespread rural frustration and concern without imposing significant federal budget impact. I expect tangible results over the next several months of sufficient importance to justify several inter-agency press announcements at the White House. In the fall, we should have an overall statement ready for you outlining your efforts to "make the government work better" for rural Americans.

We will work closely with Stu, Anne Wexler and Frank Moore to see that these rural initiatives are used to allay the concerns of some of the rural Congressmen who will have significant impact on the fate of our urban legislation now on the Hill.

Status Report on
Proposition 13

THE WHITE HOUSE

WASHINGTON

June 16, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

Jack Watson 

SUBJECT:

STATUS REPORT ON PROPOSITION 13

As you know, the agencies have been quietly assessing the potential impacts of Proposition 13 on their various programs and activities and have been providing us with ongoing reports. Although it is not necessary at this time to burden you with detailed information on specific programmatic concerns, I thought you would want to be aware of some of the recent developments.

Meeting with Governor Brown's Representatives

On Tuesday, June 13, I met with Governor Brown's Washington representatives and discussed the Governor's general plans.

- o At the end of this fiscal year (June 30) the State will have a \$6-billion surplus.
- o The Governor proposes to distribute approximately \$4-\$4.5 billion of the surplus as follows (although the Legislature may not agree with this proposal):
 - (1) \$1.6-\$1.8 billion to pick up local county welfare costs (permanently);
 - (2) \$450-million to pick up local court costs (permanently);
 - (3) \$2 billion for education;
 - (4) \$200-\$400 million to cities and special districts to maintain essential services.

- o The Governor has also recommended that an additional \$1 billion be set aside as a loan fund to meet emergency local needs.
- o Governor Brown's people said that CETA was their number one priority at the moment. They have apparently been getting some wrong information about the federal authority to waive the substitution restrictions. Senator Cranston has asked DOL for an analysis of the authority, and it is being prepared by DOL now.
- o Although they made clear that the Governor has no intention to ask for "special bail-out treatment", they did mention the increased federal taxes resulting from the property tax reduction.

California Delegation Meeting

Congressman Gus Hawkins is convening a meeting of the California delegation on Monday (June 19) to discuss this issue. At his request, agency representatives will be present to receive information and answer whatever questions they can answer. No policy commitments will be made.

Impact on Federal Taxes

The increased federal revenue resulting from the cut-back of approximately \$7 billion in State and local taxes will be smaller than earlier reported. First, the actual property tax loss to localities is \$6.35 billion, with the other \$670 million being a loss of state reimbursements for exempt properties (which obviously provides extra funds to the State). Approximately half of the \$6.35 billion is from individuals and half from corporations. After various computations of increased State income taxes, etc., the actual federal revenue increase would be approximately \$1.7 billion, as opposed to the more than \$2 billion figure the press is reporting. Of that amount, approximately \$700 million will come from individual taxes and \$1 billion from business taxes.

Federal Impact Information

Since our last memorandum, the following issues have surfaced as a result of further analysis.

- o Equal opportunity could become a major problem since the lay-offs will hit the minorities the hardest (last hired, first fired). The lay-offs could cause many local governments to be out of compliance with hiring goals, and, therefore, subject to loss of federal funds from General Revenue Sharing, highway programs, and other grants which are not already jeopardized because of matching requirements. We are working with Eleanor Holmes Norton on this issue (she weathered similar problems in the New York City fiscal crises).
- o EPA. If local governments withdraw their contributions to the air quality programs, this could endanger fulfillment of the requirement that the State submit a plan by January 1979. If that occurs, federal highway programs would have to be halted.
- o Housing. With reduced property taxes, landlords will be making larger profits. Since federally insured and subsidized multi-family housing is on a limited profit agreement, HUD could lower the rents. There will also be questions about underwriting future projects for FHA because of reduced taxes.
- o Unemployment Compensation. Because of federal law, it would be more advantageous for local governments to lay-off workers as soon as possible. If workers claim benefits before July 31, 1978, the federal government is required to pay 100 percent; after that date, the federal share reduces on a sliding scale over the next year until it reaches zero. If all 275,000 workers that were estimated to be laid-off if Proposition 13 passed filed for unemployment insurance benefits before July 31, 1978, it would cost the federal government nearly \$400 million for an average duration of payments of only 17 weeks (annualized cost of \$1.2 billion). Moreover, if the lay-offs caused the state to rise above a 5 percent unemployment rate for insured workers (now at 4.62 percent), the federal share of extended benefits would be triggered.

We will continue to coordinate through the IACC the federal responses to this issue. We are using your statement at last week's news conference as our basic position. You said:

"We cannot have special legislation for California. But if, after the State and localities have decided their priorities and spending plans, a community is particularly hard-pressed, we would do all we can within statutory and administrative powers, and budgetary constraints, to assist."

*No. special
treatment for
California -*

J

THE WHITE HOUSE

WASHINGTON

June 17, 1978

C

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Shapiro*
BOB LIPSHUTZ

SUBJECT: Prime Minister Callaghan's Letter
Regarding Competitive Air Service
for Boston

Prime Minister Callaghan has responded to your request that 3 U.S. cities be eligible to receive competitive U.S. air service, rather than two as currently provided by the Bermuda II agreement. A copy of his letter is attached.

The British response is disappointing. Although we proposed to trade new opportunities for British carriers in exchange for the designation of a third city, they have proposed further restrictions on our carriers in order to obtain that right.

They will approve a third city if 1) the number of flights between London and Los Angeles and Boston were kept to 21 per week for the airlines of each side; and 2) Pan Am sent all its traffic to Gatwick, a secondary airport outside London with poor airline connections. In addition, the British have refused to allow Pan Am to continue Boston-London service while the third-city issue is being resolved.

We agree with State, Transportation, CAB and NSC, that these proposals are unacceptable: 1) market demand, not government decree, should determine the number of flights offered; and 2) moving Pan Am to an outside airport would seriously inconvenience our passengers connecting to other parts of Europe.

Ambassador Brewster met with the U.K. Transport Minister yesterday and reports that the British position is firm. He does not advise a phone call or further response from you at this time.

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BY *15* NARA DATE *6/7/13*

In the meantime, we have coordinated an approach with Pan Am, which will lose its Boston-London service on June 15 as a result of the British action. Pan Am plans to initiate Boston-Amsterdam service for about \$200 round trip. This new service and low fare will threaten London's status as a major European gateway and put competitive pressure on British Airways, a carrier that is very influential with the British Government. A State Department delegation will also meet with the British next week to continue discussions on this issue.

We are keeping Speaker O'Neill and the New England delegation informed. They seem satisfied that we are doing all we can to continue competitive air service from Boston.

Text of Message:

DECLASSIFIED

Per: Rac Project

ESDN: NLC-146-13-8-2-7

BY K5 NARA DATE 6/7/13

Dear Jimmy,

I promised to look most carefully into your suggestion that two US airlines should be allowed to operate between London on the one side and Los Angeles as well as Boston and New York on the other, and that in return comparable new competitive opportunities should be made available to British airlines.

Like you, I want these matters to be handled to the benefit of our citizens, and I should like to be able to respond positively to your suggestion. Nevertheless it has presented us with great difficulty for two reasons. First, it means upsetting one of the main features of the Bermuda 2 Agreement only 11 months after its signature by our two Governments. Second, the needs of British airlines for additional opportunities were met by the Bermuda 2 Agreement.

However, it would be possible for you to make a reciprocal move which would be of great benefit to us if the United States airline in question were to operate not merely the suggested new service but existing services also into Gatwick Airport, to which it is our policy to shift a substantial proportion of the total traffic, instead of Heathrow where we have serious problems of congestion. Even then I should be reluctant to depart from the Bermuda 2 objective that competition should be operated in such a way as to avoid wasteful over-capacity. This objective could be maintained, in conjunction with the designation of two US carriers for a third route, if the total number of flights between London and Los Angeles and Boston together were kept to 21 per week for the airlines of each side. This is more than adequate to satisfy the needs of the travelling public for some time to come.

The 21 flights your airlines could operate could be split between Los Angeles and Boston and between Pan Am and TWA as you wish.

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/When

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When traffic reaches the figure which Bermuda 2 adopted as justifying dual designation, this limitation could of course be lifted.

I hope that you will regard this as a constructive way forward.

Yours sincerely,

Jim Callaghan.

End of Message.

2177

THE WHITE HOUSE
WASHINGTON

June 19, 1978

Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Please notify Sec. Adams of the President's request.

The original has been given to Bob Linder for transmittal to Congress.

Rick Hutcheson

cc: Bob Linder

TRANSMITTAL OF HIGHWAY SAFETY REPORT
TO CONGRESS

THE WHITE HOUSE

WASHINGTON

June 17, 1978

*Tell Brock to
publicize states
not doing/doing
a good job
J*

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Sh*
SUBJECT: Transmittal of Highway Safety Report
to Congress

Attached are a letter to you from Brock Adams and a message to Congress transmitting the 11th annual report on Highway Safety. You need not read any of these documents. The highlights of the report are:

- The highway fatality rate remained the same in 1977 as in 1976, but increased vehicle miles raised the total deaths to 46,800.
- The performance of the States in enforcing the 55 mph speed limit has been mixed. For example, in the fourth quarter of 1977 samples of Virginia drivers showed only 22% exceeding 55 mph, while similar samples in Missouri showed 75% over this limit. (p. 88a)

I recommend that you sign this message and forward this report to the Congress.

➤ (TWO SIGNATURES REQUESTED) ←

TO THE CONGRESS OF THE UNITED STATES:

The 11th annual reports on the administration of the Highway Safety and National Traffic and Motor Vehicle Safety Act of 1966 are transmitted for your consideration. The volume on motor vehicle safety contains the reporting requirements of the Motor Vehicle Information and Cost Savings Act of 1972. Also included are highlights from the second annual report to the Congress on automotive fuel economy. The highway safety document describes developments in those aspects of traffic safety in which Congress expressed special interest in the Highway Safety Acts of 1973 and 1976.

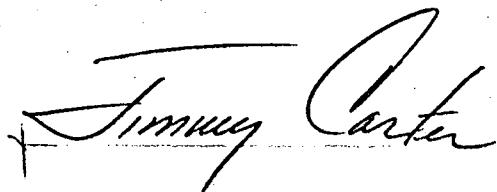
Since 1967, research has advanced the state-of-the-art of traffic safety. Safety devices have been perfected and incorporated in most automobiles on the road today. Highways have been designed and built with safety in mind, and traffic systems are better controlled. Even so, the traffic safety problem remains serious. In 1977, 46,880 of our citizens died on the nation's highways, and the number of injured ran into the millions. The direct economic cost is estimated at \$43 billion annually. Had there been no traffic safety effort, and had the 1967 traffic fatality rate held constant, the 1977 toll might have been 77,000 dead and the direct economic costs would have risen to \$76 billion a year.

The fact remains that the fatality rate (deaths per 100 million miles of travel) has declined steadily since 1967, as the various automotive and highway standards and programs have taken effect. The drop was especially noticeable following imposition, in January 1974, of the 55-mph national maximum speed limit, which has proven to be the single most effective safety measure instituted in this country. Cumulatively, the saving in lives since 1967 exceeds 150,000.

Despite the advances that have been made since 1967, motor vehicle accidents have remained the sixth leading cause of death in the United States. It is a national calamity that the penalties fall disproportionately on the very young and on those in their most productive years. In every age bracket from 5 to 34 years, motor vehicle accidents are either the leading or the second cause of death; among the 15 to 19-year-olds, traffic fatalities claim 38 percent of total deaths.

Persistent obstacles remain to further rapid or easy progress in reducing fatalities. Average speeds are increasing gradually. Seat belts are a simple, effective safety device, but are used by less than 20 percent of all motorists. The growing popularity of small cars, light trucks and vans increases the weight disparity within the vehicle mix and adversely affects the severity of accidents. Alcohol continues to be a contributing cause in half of all fatal accidents. Rulemaking has focused primarily on passenger cars, and many of the standards have been found to be inapplicable to light trucks and vans. Some states have repealed their motorcycle helmet laws; some have reduced or eliminated penalties for infractions of the 55-mph speed limit.

Further progress in traffic safety is feasible, but will require the dedication and cooperation of Federal, State and local governments, the automotive industry and, above all, the motoring public whose lives are at stake.

A handwritten signature in dark ink, reading "Jimmy Carter". The signature is fluid and cursive, with a large, sweeping "C" at the end. It is written over a faint horizontal line.

THE WHITE HOUSE,



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

June 19, 1978

C

MEMORANDUM FOR THE PRESIDENT

As you know, Cy and I co-chaired the U.S. delegation to the OECD meetings in Paris last week. The impressions I gleaned from this meeting, plus several bilaterals and meetings with key bankers in London, are as follows:

1. Our dialogue with our foreign counterparts has assumed a better tone. There is less confusion/objection/annoyance over U.S. foreign economic policy. It is understood and accepted that our policy towards the dollar is based on dealing with our fundamental problems of inflation, disappointing export performance and excessive oil imports. Our commitment to success on these fronts is regarded as sincere;
2. All eyes are on a "successful" Summit, though the definition of "success" remains vague. There is absolute agreement, however, on the need for you to make clear your intentions on energy, with as much specificity as possible. It is obvious that Schmidt is attempting to delay a growth commitment until he sees what you do on energy. And given the split within his parliamentary coalition, he is likely to confine the size of any stimulus action to an inadequate level. Therefore it is essential that we pin down both sides before the Summit, after you decide your course of action;
3. The so-called "trade contribution" to the Summit by the British and French is interpreted by them as simply being cooperative. This is necessarily vague. I have developed some ideas on possible trade offers to be pursued in our negotiations with them in order to move Callaghan and Giscard towards greater specificity. I will be reviewing these with Bob Strauss;

4. There was considerable discussion at the OECD of the recently adopted guidelines for avoiding competition in official export credits. We expressed dissatisfaction about technical derogations and violations in spirit of these agreements, but were met with stiff resistance to change. I am seriously concerned that unless there is high-level impetus to strengthen and broaden the existing agreement, ever increasing pressures to use export credits will lead to a costly confrontation. We will have to show a willingness to use aggressively our own export credit facilities in order to convey the seriousness of the situation and move the Europeans towards a more comprehensive agreement. Pressures in this area will undoubtedly intensify between now and the Summit.

A handwritten signature in dark ink, appearing to read 'Mike' or 'W. Blumenthal', written in a cursive, stylized script.

W. Michael Blumenthal

THE WHITE HOUSE
WASHINGTON

6/19/78

Mr. President:

Zbig has asked for a 45 minute
meeting this week including Brown
and Vance to discuss a "pending
foreign policy matter".

☒ approve ☐ disapprove

Phil

Tues June 20
2:15 pm

THE WHITE HOUSE
WASHINGTON

3187

June 19, 1978

Frank Moore

The attached was returned in the President's outbox today and has been forwarded to Zbig Brzezinski for appropriate handling. The State Department testifies on the attached today.

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

June 17, 1978

Mr. President:

The attached memorandum was recieved by my office mid-day today. Dr. Brzezinski's office has requested that you review this memo at your soonest convenience as the State Department must testify on Monday.

Due to time constraints, I have been unable to get thorough White House staff review of this memo, particularly from Frank Moore's office.

This is being forwarded to you at this time for your information.

Rick (wds)

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

June 15, 1978

~~CONFIDENTIAL/GDS~~

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY OWEN ^{V80}

SUBJECT: Legislative Constraints on Foreign Assistance

Secretary Vance's memo at Tab A, prepared at your request, transmits a detailed list (Tab 1) of existing legislative constraints on our authority to carry out U.S. military and economic assistance programs and a list of proposed renewals or new constraints (Tab 2). He also recommends actions to deal with these restraints.

This list offers persuasive evidence that your complaint about legislative interference is well founded. Secretary Vance points out that the restrictions fall into three general categories:

1. Conditional Restrictions. These are provisions that allow certain actions to be taken only if it is first determined that specified criteria are met and that the Congress is so informed.
2. Prohibitions. These prevent the granting of assistance by naming countries explicitly or by setting forth criteria that trigger such action automatically.
3. Congressional Veto. Some restrictions provide for Congressional approval or veto of actions you propose to take.

Secretary Vance recommends that we concentrate on resisting new restrictions and on avoiding renewal of those that would otherwise expire. This makes sense.

Secretary Vance also proposes we consult with the Congress on the possibility of introducing floor amendments to pending bills to remove certain restrictions during this session of Congress. This course seems to OMB, NSC staff, and me to

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BY 145 NARA DATE 6/7/13

involve serious problems:

-- In almost all cases, floor amendments to pending bills would require an intensive lobbying effort by the Administration.

-- This is probably not the proper moment for raising such new budgetary issues as a Security Assistance contingency fund and expanded military assistance, in light of your concern about budget discipline and our current aid troubles on the Hill.

-- We need to review the restrictions in detail and obtain the views of all interested agencies before deciding which to try to repeal. Then we can undertake the Congressional consultations that Secretary Vance recommends.

Accordingly, OMB, NSC staff, and I have recommended to State that when Secretary Vance testifies Monday before the House International Relations Committee to provide an overview of the Administration's foreign policy and an assessment of the legislative restrictions, he:

-- focus on the present legislative constraints, citing some that seriously interfere with the conduct of U.S. foreign policy;

-- avoid giving the impression that the Administration is seeking repeal of all restrictions, without regard to underlying Congressional concern;

-- emphasize that the list should serve as a basis for joint Executive/Legislative branch consultations, and offer to work with Congress to see what should be done to improve present legislation and drop unnecessary constraints;

-- reiterate our opposition to the new restraints proposed in the FY 79 aid bills;

-- stress the importance of adequate funding for AID and IFI's and the need to resist unjustified budgetary cuts in ongoing programs, since the meat-axe approach to aid funding is as much of a restraint on U.S. policy as the specific restrictions set forth in present legislation;

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-- lay the groundwork for a major Administration effort during the next budget cycle to "remove the barnacles" on U.S. economic and military assistance programs.

We will work with State on this testimony and move promptly to coordinate an Administration position on the proposals set forth in the attached memo, as well as other questions regarding these restrictions.

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THE SECRETARY OF STATE
WASHINGTON

June 10, 1978

MEMORANDUM FOR: THE PRESIDENT

From: Cyrus Vance *CV*

Subject: Legislative Constraints on Foreign Assistance

This is a report on our review of legislative constraints on authority to carry on military and economic assistance programs. It includes recommendations of short-range and long-range efforts to head off further constraints and revise the existing laws.

I. Existing Legislation

The authority to conduct programs of military and economic assistance is derived primarily from two basic statutes, the Foreign Assistance Act of 1961 and the Arms Export Control Act (originally enacted in 1968). The Foreign Assistance Act governs bilateral economic assistance programs and grants of military equipment and training. The Arms Export Control Act governs foreign military sales and financing, as well as the licensing of commercial arms exports.

Both of these statutes originally were drafted in broad terms. In recent years, Congress has perceived that there has been abuses of the authority granted under those broad statutes. That, coupled with a Congressional desire for more active involvement in foreign policy matters, has spawned a gradually increasing array of statutory prohibitions, conditions, reporting requirements and complex procedures. The cumulative effect of these constraints has been to make assistance programs more cumbersome and inflexible, and less effective as foreign policy instruments.

Cy -
Consult & restrict
as much as you can
no time for me to
decide now
on each item -
Consult with
Baker &
Rhodes
also
J

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BY KSS NARA DATE 6/7/12

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- 2 -

At Tab 1 is a compilation of existing restraints. While it does not purport to include every provision that might be characterized as a constraint, it does illustrate graphically the extent to which and the ways in which the conduct of foreign relations of the United States can be regulated and controlled by legislation. While constraints imposed by other laws have been included, most of the restrictions enumerated relate to the Foreign Assistance and Arms Export Control Acts.

As illustrated by the attached compilation, the existing statutory constraints take many forms and address a wide range of subjects. However, from the standpoint of their effect on military and economic assistance as implements of foreign policy, they fall into three general categories.

The first type consists of conditional restrictions--provisions of law which allow certain actions to be taken only if it is first determined that specified criteria are met and Congress is informed. (The statute which required your recent determination on assistance to Zaire is an example.) This type of restraint is intended to assure Congress that potentially controversial actions will be subject to high-level approval within the Executive Branch and that Congress will be informed of the decision in a timely way so that it can make its views known. These statutes may delay or impede action, but usually do not prevent you from carrying out programs you regard as important.

The second type of constraint is the prohibition against providing assistance. Some of these name specific countries as ineligible for U.S. assistance. Others refer to types of conduct (e.g., severance of diplomatic relations) that result in ineligibility. In either event, they may operate to prevent furnishing of assistance which is otherwise within the scope of your general statutory authority.

The third group is comprised of provisions for Congressional veto or approval of actions you propose to take. (Examples are major arms sales and nuclear exports.)

Many statutory prohibitions either provide for the possibility of waiver, or are subject to your general

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- 3 -

authority to waive most prohibitions against programs under the Foreign Assistance Act. Some waivable constraints are enacted with the expectation that they will be waived and, as a practical matter, fall into the category of conditional restrictions described above. In some cases, however, even though a waiver would be legally possible the political cost would be very high. For example, the thirty-day Congressional review for major arms sale proposals may be waived and the sale made immediately in any case where "the President states . . . that an emergency exists which requires such sale in the national security interests of the United States." In the four years that the Congressional review procedure has been in effect, this waiver authority has never been exercised.

II. Next Steps

In your May 25 statement, you indicated that any proposal for modification to the existing law would await our review of all restrictions and consultations with the appropriate committees of Congress. At the same time, you expressed your intention to oppose any further restrictions.

It is very late in the legislative cycle to propose major changes in the pending bills. Committee work has been completed on all five FY 1979 bills (development assistance and security assistance authorizations in each house, and foreign assistance appropriations in the House); the House has passed its development bill, and floor action on all of the others will probably occur in the next few weeks.

This means that any legislative initiative at this time would have to take the form of floor amendments to the pending bills. The prospects for success of floor amendments are always difficult to judge, and success or failure is highly visible. Careful preparation is therefore essential. Moreover, once a bill is opened up with proposed floor amendments, there is an increased risk that others will also propose amendments of their own.

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III. Short-Range Recommendations

I recommend that we now concentrate primarily on minimizing new restrictions and on avoiding the renewal of those that would otherwise expire. (At Tab 2 is a list of principal constraint provisions in FY 1979 foreign assistance bills pending in Congress.) We therefore should initiate immediate consultations with Congress to determine whether it would be feasible to propose floor amendments to the pending bills. In these consultations, we would try to determine whether any initiatives at this time would undermine other objectives of the Administration's legislative program (e.g., repeal of the Turkish arms embargo), detract from our efforts to resist new restrictions, or dissipate Congressional support for a more comprehensive revision of the legislation at a later date. I would begin the consultations by discussing our approach with Bob Byrd and Tip O'Neill.

Approve ☒Disapprove ☐

If you agree that we should begin consultations with the Congress on the possibility of introducing floor amendments to pending bills, I recommend the following proposals as worthy of consideration:

1. Economic Development and Security Supporting Assistance for the Same Country.

The Senate development assistance bill retains an existing prohibition against long-term development assistance and short-term economic support (security supporting assistance) for the same country. The bill passed by the House repeals this prohibition. A floor amendment in the Senate to repeal this prohibition would avoid the likelihood of Senate Foreign Relations Committee insistence on its retention when the bill goes to conference. This would increase our ability to respond to immediate economic needs without foregoing longer term development projects. Some members are certain to oppose this amendment as a "politicization" of aid.

Approve ☒Disapprove ☐2. Contingency Fund.

Economic Assistance:

The House security assistance bill authorizes \$10 million for the Foreign Assistance Act's economic

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assistance contingency fund. The Senate bill authorizes only \$2.5 million. Unless the Senate bill is amended on the floor, a compromise in conference (probably \$3 to \$5 million) is likely. We would need to explore with the Congressional leadership whether a major increase in the contingency fund (of up to \$50 million) could be achieved without incurring a reduction in some other program. However, strong opposition to an increased contingency fund can be expected, based on Congressional reluctance to provide funds without a specific intended use in mind. Those who work most closely with the Congressional Committees believe that we would be fortunate to achieve \$10 million.

Approve ☒

Disapprove ☐

Military Assistance:

The Foreign Assistance Act authorizes the President to draw on Defense Department stocks for emergency military assistance needs involving vital U.S. security interests. Grants up to \$67.5 million may be made in any fiscal year under this authority, subject to the same constraints as apply to other military assistance. However, the availability of this authority in any year requires appropriation act language. This latter requirement, added in 1976, has never been met because of Appropriations Committee opposition and, therefore, you cannot exercise this authority. Some members would strongly oppose a floor amendment to permit the use of this authority. They would argue that it is a form of a contingency fund and is also a possible opening for the resumption of grant military assistance programs Congress has terminated.

Approve ☒

Disapprove ☐

3. Waiver Authority.

You have authority under section 614(a) of the Foreign Assistance Act to waive most limitations contained in the Foreign Assistance Act and in acts appropriating funds for Foreign Assistance Act programs. However, this waiver authority does not apply to constraints unless they are in the Foreign Assistance Act or an appropriations act.

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- 6 -

Thus, country specific prohibitions in the annual appropriation acts may be waived to allow assistance under the Foreign Assistance Act, but not under any other law. (Had Zaire not paid its delinquent debt, assistance would have been prohibited by the appropriations act. This prohibition could have been waived to provide economic assistance under the Foreign Assistance Act, but not military credits under the Arms Export Control Act.) We should attempt by consultation to determine whether a broadened waiver authority would be supported in Congress, in view of the likely opposition to what would be widely seen as an erosion of hard won Congressional powers.)

Approve ☒ Disapprove ☐

IV. Long-Range Recommendations

Together with Congressional Committees, we are beginning an extensive revision of the foreign assistance legislation for the next session that will simplify and restructure the applicable legal requirements. In this process we will strive for a better balance between Congressional oversight needs and Executive requirements for flexible authority, including sufficient authority to be able to deploy foreign assistance resources rapidly to serve priority foreign policy needs. This effort will be coordinated with other agencies. We plan intensive consultations with a view to developing legislative revisions that both the Administration and the Congress can endorse. We hope that the new legislation will be ready for the new Congress.

In addition, I have asked the Department to study the effect of these constraints on the ability of American companies to sell their goods and services abroad. ✓

Approve ☐ Disapprove ☐

Attachments:

1. Selected Statutory Constraints on U.S. Assistance to Foreign Countries (as of June 1978).
2. Principal Constraint Provisions in FY 1979 Foreign Assistance Bills Pending in Congress.

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THE WHITE HOUSE
WASHINGTON

MINUTES OF THE CABINET MEETING

Monday, June 19, 1978

The fiftieth meeting of the Cabinet was called to order by the President at 9:01 a.m., Monday, June 19, 1978. All Cabinet members were present except Mr. Vance, who was represented by Deputy Secretary of State Warren Christopher; and Ambassador Young, represented by Melissa Wells, Ambassador to the U.N. Economic and Social Council. Other persons present were:

Joe Aragon	Stuart Lemle
Hugh Carter	Bob Lipshutz
Barbara Blum	Bunny Mitchell
Peter Bourne	Dick Moe
Zbigniew Brzezinski	Dick Pettigrew
Nelson Diaz	Frank Press
Jane Frank	Gerald Rafshoon
Les Francis	Charles Schultze
Stu Eizenstat	Stansfield Turner
Rex Granum	Charles Warren
Richard Harden	Anne Wexler
Hamilton Jordan	John White
	Jack Watson

The President began by listing several subjects that he wanted to discuss at the meeting, including:

- o Congress' alarming and unwarranted intrusion into Executive Branch prerogatives;
- o The status of major legislative proposals, including tax reform, energy, COET, civil service reform, airline deregulation, labor law reform, hospital cost containment, and the Public Works appropriation bill;
- o The economic situation;

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BY KS: NARA DATE 6/7/13

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- o Several international items, including the Turkish arms embargo; problems with the Rhodesian settlement; breakdown of discussions on Namibia; progress on SALT, CTB, and MBFR; recent developments with NATO, Peoples Republic of China and Japan; and planning for the forthcoming International Economic Summit in Bonn.

1. The President asked Mr. Schultze to report on the general economic situation:

-- Mr. Schultze said that the second quarter of 1978 will show a remarkable increase in industrial output and GNP, 8 - 10% at annual rates. He described this progress as a substantial "snap-back" from the bad weather and the coal strike of the first quarter. Since the numbers are relatively level for the second quarter, the increases do not indicate a boom.

-- On the basis of present information, the economy should grow about 4% during the next eighteen months, given current fiscal policy and approximately the same interest rates. Unemployment should stay at approximately 6% or slightly less. Mr. Schultze added, however, that the behavior of the employment and unemployment rates during the past year has been extremely puzzling.

-- Inflation is currently around 10% on an annual basis, primarily because of food prices, especially meat. Meat prices now appear to be stabilized, and the price could drop slightly in the future. Excluding food prices and mortgage interest rates, the rate of price increases is approximately 6 - 6½%.

-- The rate of wage increases has accelerated somewhat in the last year. Mr. Schultze pointed out that some very important and large union contracts will be negotiated next year which could result in further upward pressure on wages.

-- Ms. Harris asked what the rate of inflation would be if mortgage interest rates were factored out. Mr. Schultze said that it would be about 8½%.

-- Ambassador Strauss said that the Cabinet's initial efforts to reduce inflationary pressures in their departments are "meager" and urged that more be done.

-- Ms. Krebs said that business groups are more receptive to the Administration's anti-inflation program than she had thought. She fears that in reaction to the passage of Proposition 13 in California, local governments will

demand increased federal spending. The President said that Proposition 13 only applies to California and noted that many other states have lower property tax rates than California even now that Proposition 13 has passed. He said that there are severe limits to what the federal government can or should do to deal with the consequences of the property tax cut in California.

-- Mr. Blumenthal said that Mr. Schultze may be too optimistic in his economic forecast: OPEC will increase energy costs this December for 1979; the dollar has been relatively stable but is always subject to fluctuations; Mr. Schultze assumes a reasonably accommodating policy by the Fed; and wage settlements for next year are likely to be higher than we want or expect.

-- The President said that he is prepared to veto a series of bills if necessary "to prove to the country and the Congress that we mean business." He said that he is "not in a compromising mood" with respect to the FY 1979 budget or our efforts to combat inflation. Mr. Bergland pointed out that the first bill the President vetoes will have a dramatic impact.

-- Dr. Schlesinger suggested that if and when the President vetoes a bill he should focus on the specifics of the issue and not on a generalized conflict with Congress.

2. The President asked Mr. Blumenthal to report on the status of tax reform:

-- Mr. Blumenthal described two possible compromise amendments to be offered in the House Ways and Means Committee on graduated business tax and capital gains. He said that both compromises are very expensive-- \$5 billion to \$6 billion a year in the first case and \$1 billion in the second--and that knowledge about their costs is likely to kill both amendments. Should the Jones amendment on capital gains fail, a move to report a straight tax cut will pick up momentum. Mr. Blumenthal said that although the Administration could not support such a move, there would be an advantage to having a "clean" bill on the floor, since we could then add back our reform proposals. A third possibility is a proposal by Congressmen Vanik and Pickle to extend existing tax cuts. Mr. Blumenthal said that it will be difficult to get a closed rule in the House for debating the bill that is reported.

3. The President asked Dr. Schlesinger to report on the energy legislation:

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-- Dr. Schlesinger said that the Conference has concluded the natural gas portions of the legislation and this week will deal with some of the unresolved issues on the first three energy bills. As soon as the Senate concludes debate on labor law reform, it will consider the four energy bills. Thereafter, the House will consolidate the four bills and may add on the crude oil equalization tax (COET). Dr. Schlesinger said that Senator Long and Congressman Ullman support COET, as do 54% of the American people, according to a recent survey. He predicted a filibuster in the Senate on the natural gas portions of the legislation.

4. The President asked Mr. Adams to report on airline deregulation:

-- Mr. Adams said that he went to Chicago with Congressman Rostenkowski and members of the Illinois delegation, and that they are now committed to the legislation. He spent yesterday with Senate Commerce Committee Chairman Cannon, witnessing a fly-over and monitoring the noise levels. Senator Cannon now plans to add some aircraft noise reduction requirements to the airline deregulation legislation which will be drafted in such a way as not to require direct federal expenditures. Mr. Adams said that he is trying to build an urban constituency behind the bill and will visit Newark next. He predicted that the legislation will pass. He said that the problems on the Hill are procedural and not substantive. He noted that the bill is still opposed by the unions and by Delta Airlines.

5. The President asked the Vice President to report on labor law reform:

-- The Vice President said that the legislation is "in tough shape." The Administration has been two votes short in the last two cloture votes, and that two more cloture votes are scheduled for this week. The Vice President said that although Senate Majority Leader Byrd has not said when he will pull the bill down, it is likely to die if cloture is not invoked this week.

-- The President, Vice President and several Cabinet members discussed the nature and effects of the legislation. The Vice President suggested that Mr. Marshall might convey to labor interests that we may lose the legislation, and that they ought to consider one more compromise which

~~CONFIDENTIAL~~

would yield the needed additional votes. Mr. Marshall pointed out that labor interests do not speak with one voice on the bill. The Vice President suggested that Mr. Marshall might try to act as a single spokesperson for the various labor interests. Mr. Marshall said that to some extent the various interests were letting him do so.

5. The President said that he was concerned with the cost of the surface transportation authorization bill, the DOD appropriations bill and several others.

-- Mr. Adams said that it is clearly understood in the House Public Works Committee that the President will veto the surface transportation authorization bill that has been reported by the Committee. On the other hand, the Senate surface transportation bill is quite good, and there is a good chance that the House Ways and Means Committee (which will now consider the legislation) will offset the cost of the Public Works Committee version.

-- Dr. Brown said that the Defense appropriation bill, as "marked-up" by the House Defense Appropriation Subcommittee is some \$100 million more than the Administration's request, but that \$2.1 billion has been added for a nuclear carrier. He said that there is a "fair chance" of taking the carrier out of the bill in the full committee.

-- The President said that the Administration needs to improve its ability to monitor adverse legislative trends early. He has written a note to Mr. McIntyre on the subject asking him to suggest a procedure. Mr. McIntyre said that a team of OMB people, Frank Moore's staff and the Congressional Liaison staffs from the various departments are working on the problem.

-- Mr. McIntyre said that OMB is now conducting its mid-year budget review, and that it is required by law to submit any re-estimates to Congress. Mr. McIntyre said that it is very important for the departments and agencies to avoid shortfalls this year. He asked Cabinet members to call him personally if they have problems with the OMB review. The President and several Cabinet members discussed the importance of protecting the accuracy of the Administration's spending projections. The President said that he does not want the departments and agencies to spend money they do not need to spend; he has just sent them a memorandum on this subject, on travel costs and on the FY 1980 budget. Messrs. Adams and Califano pointed out that much of the shortfall problem occurs with respect to entitlement

~~CONFIDENTIAL~~

programs that are keyed to matching efforts by states. Mr. Califano said that HEW is doing its best to reduce shortfalls in the medicaid and medicare areas where they have occurred in the past.

6. The President said that the civil service legislation is in danger primarily because of Congress' reluctance after the Panama Canal vote to change the veterans preference section. He noted that the veterans preference changes have already been knocked out in the Senate committee. Mr. McIntyre noted that the House committee will begin mark-up on Wednesday. The Senate is already marking up the legislation and is presently debating the role of the EEOC in adverse action and charges of discrimination cases.

-- The President asked the Cabinet to stay abreast of the legislation and to respond immediately to any calls for help on it.

7. The President asked Mr. Califano to comment on the hospital cost containment legislation:

-- Mr. Califano said that he hopes to get the bill out of the House Commerce Committee this week and predicted more "cliffhanger votes." The House Ways and Means Committee, which will consider the legislation next, will be "even tougher." There are also problems in the Senate Finance Committee with the staff of Senator Talmadge's Health Subcommittee, although Senator Nelson, a member of that committee, is trying to help. Mr. Califano said that there is "tenuous hope" for a bill this session. He said that the bill we are likely to get will not be as good as the one we proposed; it will save approximately \$10 billion in federal money and \$30 billion generally between now and 1983, compared with \$20 billion in federal money and \$50 billion generally in the Administration proposal.

-- Mr. Califano said that he will move tomorrow under his medicare and medicaid authority to require that the Blue Cross and Blue Shield plans with which HEW does business have a majority of consumers on their boards. The President commended this action.

-- Mr. Califano pointed out that the House Appropriation Subcommittee is now writing directions into HEW's legislation directing that certain education grants be given to specific people in an effort to counter Mr. Califano's move to increase competitive bidding. He said that a large

~~CONFIDENTIAL~~

problem with Congressional interference of this kind is that Cabinet departments do not even know of Congress' action until they see the print-out of the legislation. He stressed the importance of a public education campaign on this subject. Mr. Schultze said that a great deal of the problem has grown out of the Congressional budget reform which had the unintended consequence of turning the appropriations committees into "little executive branches."

8. The President commended Ms. Kreps' memorandum on regulatory reform. Ms. Kreps estimates that the cost of regulations in 1976 was \$60 billion, and that it will increase to over \$100 billion in 1979. The President said that we still do not have an effective mechanism for reviewing the overall impact of regulations, and that we need an inter-departmental approach to do so. Ms. Kreps said that Mr. Schultze is providing some centralization by means of his regulatory analysis program.

-- The President said that the cotton dust standards to be issued by OSHA will reduce the capital cost impact of the regulations proposed in the previous administration from \$2.7 billion to \$625 million. Mr. Schultze said that it is difficult for the Executive Office of the President to assert authority in view of the quasi-judicial nature of the proceedings. Legislative changes may be required.

-- The President said that Mr. Watson has distributed the President's September 9 memorandum on federal aid reform to the Cabinet as a reminder of the need for follow-up by the Cabinet. Mr. Watson will be contacting the Cabinet members individually regarding specific problems in their departments.

9. The President described the Administration's effort to lift the embargo of arms to Turkey as a critically important international issue. He said that it is crucial that the legislation passes, and he commended an op-ed piece on the subject in today's Washington Post. He will meet this week with Greek/American leaders; he solicited the Cabinet's help on the issue.

10. The President said that his recent trip to Panama was extremely productive and rewarding. He said that there was an unbelievable outpouring of support, and that even his meeting with leaders of the opposition to the treaties was "harmonious." The reaction of the Latin American leaders who attended the treaty signing was very positive. Dr. Brzezinski said that Venezuelan President Perez described the signing as the "single most important event in the affairs

~~CONFIDENTIAL~~

of the Western Hemisphere in the 20th century."

11. The President asked Mr. Christopher if he had anything to add:

-- Mr. Christopher said that Mr. Vance will testify this afternoon on foreign policy before the House Foreign Affairs Committee. The primary focus of his testimony will be on U.S. policy towards the Soviet Union and Africa. He will also give a major address on Africa in Atlantic City tomorrow.

-- The OECD meeting which Mr. Vance attended last week was "promising" for the Bonn summit. Mr. Christopher said that the President's recent visit to the Panama Canal should add another important dimension to the summit talks: North/South relations.

-- He said that the Administration had hoped that the House would take up the Turkish arms embargo question before the July 4 recess but that House Majority Whip Brademas has delayed action until after the recess. State Department representatives will meet with Senator Church this afternoon to urge him to take the lead in the Senate. Mr. Christopher said that he thinks the Administration will ultimately be successful in lifting the arms embargo.

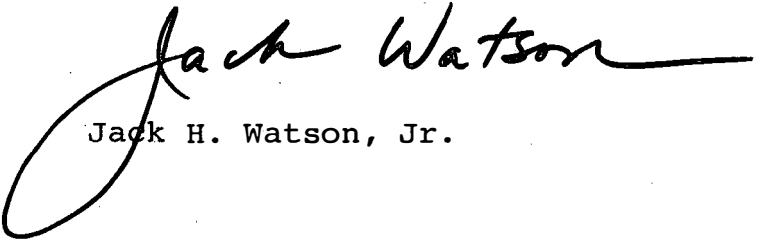
-- The President said that there is still a critical need for a satisfactory international forum on North/South relations. He praised Jamaican Prime Minister Manley and Venezuelan President Perez as progressive leaders. He has asked Messrs. Christopher and Dick Cooper to analyze what can be presented on the subject at the International Economic Summit and at the September meeting of the U.N. Committee on Trade and Development (UNCTAD) in Geneva.

-- Dr. Brzezinski added that there has been genuine improvement in the political aspects of North/South relations in the last year and a half due largely to the personal efforts of the President and U.N. Ambassador Young. He added, however, that although our political relations with Latin America, Africa and South Asia have greatly improved, we have still not succeeded in developing an adequate North/South economic program. He described successful efforts by Mr. Christopher to modify a joint communique of the Latin American leaders in Panama to call for a "just and equitable" international economic order.

~~CONFIDENTIAL~~

The meeting was adjourned by the President at 10:55 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jack H. Watson, Jr.". The signature is written in dark ink and is positioned above the printed name.

Jack H. Watson, Jr.

THE WHITE HOUSE
WASHINGTON

6-19-78

Fritz Hollings

Access - Agreement

to Tip & Frank

Thompson -

Dale - Access - after
2 more cloture votes

Cabinet Meeting 6/19/78

Excessive spending - Management -
non competitive (bids)

THE WHITE HOUSE
WASHINGTON

- > Panama
- > Kres. Reg reform \$60B/76 → \$100B/79
- Kres. export controls
- > Andrus - Narrows / veto
- Zemith case.
- > Tax reform (?)
- > Energy - COET
- > Civil Service (Cleveland)
- > Airline dereg
- > Surface Xport - auth
- > Labor law reform
- > Appropriations - hold line
- > Agriculture - DoD
- > Federal aid reform
- > Hosp Cost Cont
- > Turkey arms
- > Econ report

THE WHITE HOUSE
WASHINGTON

- > Prop 13
- > End of yr, Personnel, Travel
- > Shortfall
- > OECD

3176

THE WHITE HOUSE
WASHINGTON

June 19, 1978

Zbig Brzezinski
Jim McIntyre

The attached was returned in the
President's outbox today and
is forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Frank Moore

CONFIDENTIAL ATTACHMENT

DECLASSIFIED

Per: Rac Project

ESDN: NLG-126-13-8-4-5

BY KS NARA DATE 6/2/13

~~CONFIDENTIAL~~

3421

THE WHITE HOUSE
WASHINGTON

June 15, 1978

28.

~~CONFIDENTIAL GDS~~

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: JIM MCINTYRE
HENRY OWEN
SUBJECT: Aid to Caribbean

DECLASSIFIED
Per: Rac Project
ESDN: NLC-126-13-8-4-5
BY: KS NARA DATE 6/7/13

1. In September 1977, you approved a recommendation that the US would seek to establish a multilateral Caribbean Group, involving interested donors and recipients, to encourage regional integration and cooperation in the region. At the inaugural session of this Group, Ambassador Young indicated that if it were launched successfully and developed good programs, we would be prepared to make a strong contribution.
2. In the FY 1979 aid review you approved a substantial increase in aid for the Caribbean. You turned down the request for still further funds made by State and AID, at our recommendation, because there was no clear program at that time for use of this money, and because it would unduly increase the proportion of AID funds going to middle-income countries.
3. Since then both the World Bank and the Inter-American Development Bank have pledged to double their contributions to the Caribbean. The Caribbean Group has developed a proposal that a Caribbean Development Facility be established to try to mobilize \$125 million for each of the next three years for local currency financing of these and other projects. In your last letter to Venezuelan President Perez, you indicated that we would be "prepared to make a substantial contribution to this facility, provided that other donors do the same and that recipient countries take adequate action to address their economic problems and development requirements". In response, President Perez has pledged to contribute 10% of the funds of the CDF.
4. The emphasis in your letter on self-help was well placed. External help to the Caribbean will only achieve its purpose if it produces a needed improvement in local policies.
5. State and AID now propose (Tab A) that you approve a US first-year (1978-79) commitment to the proposed Caribbean Development Facility of up to \$37 million. (This is a figure that a Deputy Assistant Secretary of State used, without authorization, in talking to other countries about the contribution that the US would consider providing for the first year of the program.) State and AID propose to secure this \$37.5 million as follows:

~~CONFIDENTIAL GDS~~

~~CONFIDENTIAL~~

Jay 9/6/80

a. \$20 million in development assistance would be re-programmed from other Latin American middle-income countries --e.g., Paraguay.

b. A \$9 million PL-480 program currently planned for Haiti and up to \$8.5 million for PL-480 aid to the Dominican Republic (or a total of \$17.5 million) would be reprogrammed from other planned uses, and would be counted as part of our contribution to the Facility.

6. State and AID also envisage the possibility of US contributions for FY 1980 and 1981.

7. The reprogramming of \$20 million in development assistance is probably feasible, since AID programs for some of these countries are lagging. The proposal to secure \$17.5 million from PL-480 presents several problems:

a. The Haiti program is a model of AID's recent efforts to improve the developmental impact of food aid, and is being offered in return for a set of specific reforms which may not coincide with those which may be set under the new Facility. An attempt to make the program do double duty could compromise this effort at program improvement and weaken our position in the delicate reform negotiations now underway with Haiti.

b. Reprogramming for the Dominican Republic is probably not feasible since the 1979 PL-480 budget is already overprogrammed, and difficult decisions on priorities will be required in August when more definitive information on needs and costs become available.

8. US contributions would be used to pay for projects' local currency costs. This is not the usual AID practice and would be resisted by Congress, even though some members of Congress support our efforts in the Caribbean.

9. If the US, as the main force behind the Caribbean Group, does not contribute, the Group is likely to collapse.

10. Several issues remain to be resolved; the outcome will determine whether this Facility evolves in a way consistent with your original 1977 Caribbean policy decisions. These issues concern the way in which the Facility will be set up, and the programs for which its funds will be used.

RECOMMENDATIONS

11. We recommend that at the June 19 Caribbean Group meeting the US indicate that:

a. It is willing, subject to Congressional approval, to provide an increase of \$20 million in development assistance for the Caribbean countries, for the period July 1978 to July 1979, subject to other donors being willing to match our aid in the ratio of 7-3, and subject to self-help acceptable to the World Bank or IMF (these funds to be secured by reprogramming AID funds from other middle-income Latin American countries).

b. The US is reviewing its existing aid programs to see whether additional aid funds can be pledged for 1978-79, but the outcome of this review is uncertain.

c. It cannot enter into commitments for future years, since this will depend on a number of variables that cannot now be foreseen -- including the availability of US aid funds and competing demands on these funds, as well as the facility's success in promoting local self-help, other countries' contributions, and regional integration.

☒ Approve above OMB-Treasury-Owen recommendation for commitment of \$20 million, and review of existing aid programs to see if more can be found

☐ Approve, instead, State-AID recommendation for commitment of up to \$37.5 million

☐ Disapprove

12. We also recommend:

a. that the \$20 million referred to above only be made available if we (McIntyre and Owen) are satisfied that this will be done in a way consistent with your 1977 Caribbean policy decisions and if we find that the reprogramming will not damage existing programs;

b. that you approve the additional \$17.5 million being made available in 1978-79, if State and AID can come up with ways of reprogramming these funds that we believe meet the above criteria.

☒ Approve

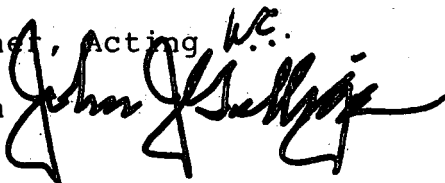
☐ Disapprove

13. We also recommend that you sign the letter to President Perez at Tab B, which was drafted in State, revised slightly in the White House, and has been approved by Jim Fallows.

LIMITED OFFICIAL USE**DEPARTMENT OF STATE
WASHINGTON**

June 14, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: Warren Christopher, Acting ^{W.C.}
John J. Gilligan 

SUBJECT: Assistance to the Caribbean

I. ISSUE FOR DECISION

Approval to extend support to a World Bank proposed special assistance facility for the Caribbean designed to meet priority development needs in the face of critical balance of payments problems; and to sign a letter replying to President Carlos Andres Perez of Venezuela.

II. BACKGROUND

One of the important foreign policy initiatives of your Administration has been an imaginative new approach to the critical problems of the Caribbean. Conditions in this region are particularly significant because of their impact directly on United States domestic interests, including migration, trade, investment, tourism, and narcotics. The current economic situation threatens political stability which could undermine democratic institutions and tempt Cuba to intervene.

The key element in our Caribbean strategy is to encourage the countries to cooperate more with each other to gain economies of scale and to build individual national and group self-confidence as the influence of the traditional metropolitan powers recedes. We urged the World Bank to establish a multi-lateral group for cooperation in the Caribbean consisting of both donors and recipients. The group has two purposes -- increasing the overall levels of assistance and assuring maximum efficiency in its utilization. The World Bank was initially reluctant to assume the leadership role but under strong pressure from us it has put the group together. The first regular meeting will be held in Washington June 19-24.

LIMITED OFFICIAL USE

- 2 -

To maintain satisfactory levels of development, the World Bank has identified an annual requirement during each of the next three years of approximately \$125 million to partially finance local costs of externally-assisted projects, and has recommended the establishment of a special Caribbean Development Facility to mobilize the necessary additional resources. While U.S. support of this facility would represent a departure from current uses of A.I.D. resources, we have concluded that the Bank's approach has merit.

We have indicated to other donors that, subject to concurrence of Congress, we would consider providing about 30% (\$37.5 million if the full amount is forthcoming) of the funding for the first year of the program if other donors provide the remaining support, and if recipients commit themselves to the necessary self-help measures. We would meet our commitment to the facility for the initial year beginning July 1, 1978 by reallocating development assistance and if possible PL-480 within budget ceilings for FY 1978 and FY 1979. Development assistance of \$20 million would be reallocated in FY 1978 for basic human needs projects in the English-speaking countries from other Latin American middle income countries such as Paraguay. This would bring the FY 1978 A.I.D. level up to \$78 million. About \$23 million in PL-480 Title I Assistance had also been previously budgeted in each of the two years. An additional \$9 million of the \$37.5 million proposed for the facility would be available only for Haiti in the form of PL-480 under a Title III program.

We also want to be able to provide additional support for development programs in the Dominican Republic after President Guzman is inaugurated. The World Bank estimates indicate that \$25 million of the \$125 million should be allocated to the Dominican Republic. Thus we anticipate the need in FY 1979 for \$8.5 million in reallocated PL-480 or development assistance for the facility. Should it become necessary to reallocate FY 1979 A.I.D. funds in order to meet the full U.S. commitment to the facility, we would do so within the FY 1979 budget allocations for middle income Latin American countries; this might result in Caribbean A.I.D. levels slightly above the \$87 million mark you set in December.

While our specific commitment would only be for the first year of the facility, future commitments are implied.

- 3 -

If the first year proves to be effective, we would expect to consider, within the overall A.I.D. and PL-480 budget ceilings you may establish, additional contributions in FY 1980 and FY 1981, along with the regular development program for the Caribbean.

You should be aware that we may encounter some Congressional resistance to financing local costs of other donor projects. However, overall the Congressional reaction to the Caribbean Group initiative has been very favorable.

Since your visit to Caracas in March you have corresponded extensively with President Perez with regard to the Caribbean. Previous correspondence is at Tabs 2, 3, and 4. At Tab 1 is a reply to Perez' latest letter expressing the hope that his strong initiative with other donors will lead them to support the facility.

A detailed discussion of the proposed facility is attached at Tab 5.

Recommendations

1. That you approve a U.S. commitment to the first-year requirements of the facility of up to \$37.5 million, with the U.S. contribution to be drawn from reprogramming FY 1978 and FY 1979 A.I.D. and, to the extent other priorities permit, PL-480 Title I resources.

Approve _____ Disapprove _____

2. That you sign the letter to President Perez at Tab 1.

Treasury concurs in these recommendations.

Attachments:

~~Tab 1 - Draft reply to President Perez' letter of June 1.~~
~~Tab 2 - From President Perez, June 1.~~
~~Tab 3 - From President Perez, April 27.~~
~~Tab 4 - Reply to President Perez, May 17.~~
~~Tab 5 - Caribbean Development Facility - Salient Features.~~

Embassy of Venezuela
Washington, D.C.

June 1, 1978

His Excellency
Jimmy Carter
President of the United
States of America
Washington, D.C.

Dear President Carter:

On May 16-17, 1978, under World Bank auspices, a meeting was held at Paris of potential contributors to a special facility providing additional financing for development projects and programs in the Caribbean region. On that occasion the World Bank estimated the amount of external official capital assistance to the area over the next three years to be US\$1.95 billion, equivalent to an annual average of US\$650 million. According to these estimates, US\$450 million per year would have to be "soft assistance."

The concrete proposal made to those of us attending the meeting was that we establish a special five-year fund for development programs and projects, toward which the first-year contribution would be US\$125 million. The central purpose of this fund would be "to provide a substantial part of all official assistance required to finance the local costs and contingencies of development projects and programs partially financed by external sources."

[Translated without reference to official English text.]

Two complementary aspects of assistance would be additional contributions to strengthen the technical capability of the region through the Caribbean Development Bank, in order to prepare and implement investment projects, and substantial balance of payments support for countries like Jamaica and Guyana which are facing a critical situation in their external

sector. It was estimated that the latter category of assistance would require US\$125 million per year.

On that occasion the United States Delegation was the only one able to announce its intention to contribute US\$37.5 million, amounting to 30 percent of the Bank's proposed goal for the special development fund. Therefore, in order to achieve the objective of "supplemental" assistance for the region with which I believe all the parties concerned, contributors and recipients, concur, it became imperative to schedule a new meeting of contributors for June 1. I hope that at this new meeting your country, like ours, will be in a position to make known tentatively its decision to cooperate in the said plan, in addition to any other efforts which it may have made.

As the Representative of Venezuela stated at the Paris meeting, my country has undertaken a considerable cooperation effort in the region in recent years. Despite the extent of this effort, which far exceeds what might be asked of us as a developing country, we are prepared to announce a first-year contribution equivalent to 10 percent of the desired goal. The terms of our contribution will be specified in due time by our representative.

We consider that the proposed fund of US\$125 million is insufficient from all standpoints and would have the same flaws that have marred such programs in the past. I only wish to draw your attention to the extent and the terms of the problem on which the countries concerned and the organizations which will be involved in its implementation will have to reach agreement on June 19 at Washington when the Caribbean Group meets, and to

which my Government attaches special importance.

Our basic criterion for the preparation of this program is, through an appropriate injection of soft financial resources, to stabilize programs of national or subregional interest in the area in order to check and reduce the current levels of unemployment and at the same time serve as a positive factor in improving the payments situation in those countries. I consider it essential that the programs be established by the countries concerned, individually or collectively, through their own mechanisms of economic or financial coordination, Caricom, East Caribbean Common Market, Caribbean Development Bank, or any that they might agree to establish, assisted technically by experts of other participants. In other words, it is most important that this not become one more program imposed by a small group of countries inclined to cooperate without much concern for whom the program will benefit.

Perhaps the sole condition that I would venture to suggest to you is that the recipient countries define their aspirations within the program through action designed to integrate their economies and subsequently create stronger ties with other integration movements at the regional level. I believe that part of this approach finds acceptance in some countries which stated their views at the Group's meetings, even though they follow the orthodox line of organizations such as the International Monetary Fund, which can almost make the conditions of access to resources so rigid as to obstruct their peoples' legitimate aspirations to social progress.

Cordially yours,

Carlos Andrés Pérez
President of Venezuela

THE WHITE HOUSE

WASHINGTON

May 17, 1978

Dear Mr. President:

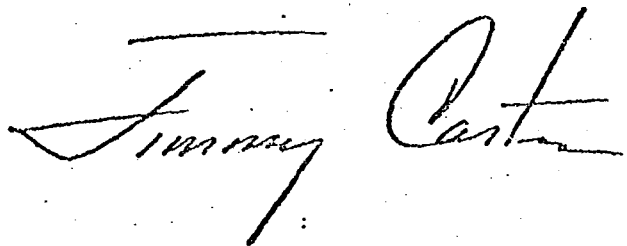
Both of us hope that a cooperative approach will speed development in the Caribbean; both of us know that the support of our two countries is essential if this approach is to succeed. That is why I was pleased and encouraged to find in your letter of April 28 that our views are similar on most basic points regarding the future of the Caribbean Group. I assure you that my Administration is committed to its success, and we intend to provide strong support to Caribbean development and the Caribbean Group within our budgetary constraints.

Ambassador Vaky has already had detailed discussions with Minister Hurtado on the full scope of issues connected with the Caribbean Group. However, I was particularly glad to learn from your letter that we both believe that the nations of the region should lead the way in designing the region's economic development programs, and that we should encourage them to adopt a regional approach to their economic problems whenever possible. True economic integration in the Caribbean still lies some distance in the future, but we should seize every opportunity to strengthen existing regional institutions such as the Caribbean Development Bank and CARICOM, and to broaden their mandates and activities. We are particularly concerned that the Caribbean Development Bank, as the only international financial institution focused exclusively on the Caribbean, has thus far not found ways to relate to the non-English-speaking countries of the region. I hope that we can work together to facilitate broader cooperation among all the countries of the region.

We have also been examining the World Bank's proposal for a special facility to help governments continue important development projects while their countries are passing through this difficult period of adjustment. We are prepared to make a substantial contribution to this facility, provided that other donors do the same, and that recipient countries take adequate action to address their economic problems and development requirements.

It was a great personal pleasure to meet with you during my all too brief visit to Caracas in March, and I look forward to the chance of seeing you again in Panama.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jimmy Carter". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

His Excellency
Carlos Andres Perez
President of the Republic of Venezuela
Caracas

A

THE WHITE HOUSE

WASHINGTON

June 16, 1978

Dear Mr. President:

Your decision to supply 10 percent of the financing for the Caribbean Development Facility (CDF) proposed by the World Bank is a welcome one.

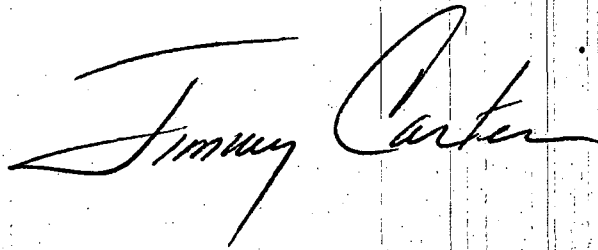
Since most of the funding will have to be provided by countries other than the United States and Venezuela, your initiative in writing to a number of heads of government urging them to support the Caribbean Group and the CDF will be very helpful. I hope you will keep me informed of the responses you receive, particularly from Japan and the Federal Republic of Germany. We, too, are consulting with these governments. We are also discussing the possibility of additional program lending by the World Bank with Bank officials.

We share your belief that the recipient countries must establish and follow effective self-help economic policies which are consistent with their stabilization and development requirements. And we share your view that it is important to support regional institutions and initiatives. Accordingly, we plan to channel much of the development assistance we will provide to the new facility via the Caribbean Development Bank.

Like you, we have been watching the situation in the Dominican Republic carefully. Our Embassy reports that one of the major problems President-elect Guzman will face after his inauguration in August will be growing balance of payments difficulties. Thus the CDF may be particularly important for the Dominican

Republic. I know you share our concern for the integrity of the democratic process in the Dominican Republic and I hope you will find it possible to help in responding to requirements there, if necessary beyond the commitments you have already made.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

His Excellency
Carlos Andrés Pérez
President of the Republic of Venezuela
Caracas

THE WHITE HOUSE

WASHINGTON

June 19, 1978

C

MEMORANDUM FOR:

THE PRESIDENT

FROM:

RICHARD PETTIGREW *Rap*

SUBJECT:

Reorganization Progress Report

Here is the latest issue of our bimonthly progress report. It will be going out to the agencies, Congress, and the press.

Attachment

Reorganization Progress Report

June 26, 1978

Highlights

CIVIL SERVICE--On May 23, President Carter sent Congress a reorganization plan establishing a new structure for federal personnel management. The plan is part of a comprehensive civil service reform program announced by the President March 22. This program is designed to improve government performance by (1) establishing genuine merit incentives for federal employees; (2) increasing personnel management flexibility; and (3) strengthening protections against political abuse of the civil service. (Page 3)

EDUCATION DEPARTMENT--OMB Director James McIntyre has submitted to Congress the Administration's proposal for a new Cabinet-level Department of Education. The proposed Department would include education-related programs now scattered among seven departments and agencies. (p. 7)

EMERGENCY PREPAREDNESS--On June 19, the President proposed a major reorganization of the Federal Government's emergency preparedness and disaster response programs. The reorganization consolidates five existing agencies and six additional disaster-related responsibilities into a single structure. (p. 8)

EQUAL EMPLOYMENT PLAN GAINS APPROVAL--Both houses of Congress have acted to approve Reorganization Plan No. 1 for 1978. The plan, which consolidates the Federal Government's equal employment enforcement activities, went into effect May 6. (p. 7)

REGULATORY REFORM--President Carter has issued an Executive order designed to simplify federal regulations and reduce their burden on the American public. The order, now being implemented, requires agencies to write federal regulations clearly and minimize paperwork and red tape. (p. 10)

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President's Reorganization Project

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EARLIER REORGANIZATIONS

During 1977, the Congress approved three Presidential reorganization initiatives: streamlining of the Executive Office of the President; creation of the new Department of Energy; and consolidation of the United States Information Agency and State Department cultural affairs functions. Numerous intradepartmental reorganizations were also instituted.

Report on Projects

This report lists projects undertaken by the President's Reorganization Project. In each case, it contains project description, objectives and status. The report also lists names and phone numbers of principal staff persons who can provide up-to-date information on the project.

* * *

CIVIL SERVICE--President Carter has proposed a comprehensive program to reorganize and reform the Federal Civil Service system. The program includes two elements: a civil service reform bill, introduced March 2, and a civil service reorganization plan, submitted May 23.

1) The reform legislation contains the following key elements:

- * Senior Executive Service - The bill would create a Senior Executive Service of approximately 9200 senior executives whose duties are managerial and who are now compensated from the GS-16 level through Executive Level IV. Entrance into the Service would be voluntary for persons now at those levels. Those who enter the Senior Executive Service could be assigned anywhere they are needed; career executives would be eligible for annual bonuses for superior performance; and executives could be removed from the Executive Service for poor performance.

The Service would include both career and non-career employees, with a statutory limit of no more than 10% non-career executives, which approximates the current proportion of policy positions in the executive ranks. Managers would no longer receive automatic pay increases based on longevity. Agency heads would be authorized each year to distribute bonuses to not more than 50% of the senior executives in recognition of superior performance.

- * Incentive Pay for Other Managers and Supervisors - The legislation would authorize the use of incentive pay for the 72,000 federal managers and supervisors in grades GS-13 through GS-15. Managers who perform in an unusually productive fashion would be eligible for annual bonuses. They would no longer receive automatic "step" increases in pay, and would receive only a portion of their annual comparability pay increases. In return, they would be eligible to receive pay increases of up to 12% of their salary based upon actual performance.

- * Fairer, Speedier Appeals System - The legislation would provide managers in the Federal Government the authority to manage. It would reduce the red tape and costly delays in the present personnel system; it would assure both the employee and the government timely decisions. It would establish by statute, rather than executive order, the right of employees to appeal personal actions. It would set fair and sensible standards to apply in hearing any such appeals, while eliminating redundancies.
- * Changes in Veterans' Preference Provisions - The proposed modification of veterans' preference would improve employment opportunities for disabled veterans and Vietnam-era veterans. It would reduce, however, the lifetime preference now available to non-disabled veterans.

Disabled veterans, including disabled military retirees would continue to receive all present entitlements without time limit. In addition, those with service-connected disabilities of 50% or more, and those enrolled in job-related training programs, could be non-competitively appointed. Special employment programs created for Vietnam-era veterans under a 1970 executive order would be expanded and extended through fiscal 1980.

The legislation contains a two-year extension of the Veterans' Readjustment Appointment Authority to permit Vietnam-era and disabled veterans easier entry into the federal workforce. It also amends this authority to expand federal job openings for covered veterans through GS-7, and to waive the educational limitation for disabled veterans.

The proposed modifications in veterans' preference include:

- limiting the 5-point preference awarded to veterans' applications to the ten-year period following discharge. (This provision would become effective two years after enactment.);
- eliminating veterans' preference for retired military of field grade rank (major/lieutenant commander and above), and limiting veterans' preference for other retired military personnel to three years following retirement; and
- restricting the absolute preference now accorded non-disabled veterans in Reduction-in-Force (RIF) situations (after their first three years of federal employment, such veterans would be granted only an additional five years of seniority for purposes of determining their rights).

- * Decentralized Personnel Decisionmaking - Job examination in the federal career service is now done almost exclusively by the Civil Service Commission. Because of this rigid procedure, it may take as much as six to eight months to have a desired applicant fill an agency position. The legislation provides for delegation of selected personnel authorities to departments and agencies. The new Office of Personnel Management would have the authority to direct corrective action whenever this delegated authority is misused.
 - * Expanded Choice in Hiring - The existing requirement limiting the hiring agency to a choice among the top three candidates on a civil service list would be amended to allow generally a choice among the top seven.
 - * Regulations Affecting Hiring of State and Local Employees - The legislation would consolidate into a single set of regulations the multiplicity of instructions affecting the hiring of state and local employees under grant programs.
- 2) The Reorganization Plan, submitted to Congress May 23, would provide the structural framework for civil service reform. The Civil Service Commission now serves simultaneously as the protector of employee rights and the promoter of efficient personnel management policy. The reorganization plan divides those two roles between two separate agencies--The Merit Systems Protection Board and the Office of Personnel Management.
- * The Merit Systems Protection Board would be an independent agency under bipartisan leadership and would have the policy and adjudicatory responsibilities and authority to deal with employee complaints and appeals, and to prevent reprisals against "whistle blowers."

The proposed legislation would create a Special Counsel for the Board, appointed by the President and confirmed by the Senate, to investigate and prosecute political abuses and merit system violations. This will help safeguard the rights of "whistle blowers."

- * The Office of Personnel Management would be the primary agent advising the President and helping him carry out his responsibilities to manage the federal workforce. The Office would develop personnel policies, provide personnel leadership to agencies, and administer central personnel programs. It would be headed by a director and a deputy director, both appointed by the President and confirmed by the Senate.

The reorganization plan would also create:

- a Federal Labor Relations Authority, which would consolidate the third-party functions in the federal labor-management relations. It would be an independent agency operating under bipartisan leadership with final decisional authority on matters within its jurisdictions.
- a General Counsel with responsibility to investigate and prosecute alleged unfair labor practices before the FLRA.
- a Federal Service Impasses Panel as a separate entity within the FLRA.

The Civil Service reform project is a cooperative effort of the U.S. Civil Service Commission and the President's Reorganization Project.

Contact: Howard Messner (395-4960)

CASH MANAGEMENT--The U.S. Treasury will save at least \$125 million in each of the next two years by implementing new and more efficient cash management procedures.

The procedures have been implemented by the Treasury Department in coordination with the Federal Cash Management Reorganization Project of OMB. The Project was established in 1977 to identify opportunities for applying modern cash management techniques in the Federal Government. The Project has so far undertaken cash management reviews of five federal agencies--Treasury, Transportation, Energy, Agriculture and the General Services Administration.

The cash management program at Treasury has addressed three areas:

1) Accelerating Receipts

Treasury has taken a number of steps to ensure that federal receipts are collected and deposited as quickly as possible. These include: increased use of electronic funds transfer; streamlined use of tax cards; new procedures to prevent taxpayers from "playing the float;" and the institution of special handling for large-amount receipts.

2) Controlling Disbursements

Treasury has implemented sophisticated procedures to ensure that government obligations are paid on time but not sooner than they are due. One such procedure is the "letter of credit" disbursing system under which grantees are paid not in advance, but only when the funds are actually required.

3) Reducing Idle Balances

Under a measure approved by Congress last October, the Treasury may now earn interest on tax and loan balances held in private financial institutions. (These tax and loan balances are used by Treasury to collect income withholding and other taxes).

Contact: Dick Cavanagh (395-5870)

EDUCATION--OMB Director James T. McIntyre presented the Administration's proposals for a new Cabinet-level Department of Education in testimony before the Senate Governmental Affairs Committee April 14 and May 17. The Committee is considering S.991, legislation to create such a department.

Programs proposed by the Administration for transfer to the new department include the college housing program (HUD), two student assistance programs (Justice), child nutrition programs (Agriculture), the USDA Graduate School, several science education programs (National Science Foundation), Indian education programs (Interior), overseas schools for American dependents (Defense), and the following programs now located in HEW: several health student loan programs; the telecommunications demonstration program, education-related civil rights responsibilities, Project Head Start, and the 130 programs located in HEW's Education Division, as well as budgetary oversight of the Special Institutions. The proposed department would have a budget of \$17.5 billion, larger than seven existing Cabinet departments.

Creation of this broad department is designed to achieve the following objectives:

- enable the Federal Government to better manage existing education programs by bringing together in one place programs now scattered across the government;
- improve relations with state and local governments by establishing clear-cut accountability for education matters at the federal level.

Contact: Patricia Gwaltney (395-5014)

EQUAL EMPLOYMENT OPPORTUNITY--Reorganization Plan No. 1 for 1978, dealing with the Federal Government's equal employment opportunity enforcement programs, went into effect May 6.

Under authority adopted by Congress last year, reorganization plans become effective automatically unless either house votes to disapprove them within 60 legislative days. Introduced February 23, the plan was subsequently approved by the House Government Operations and Senate Governmental Affairs Committees. On April 25, the House rejected a motion to disapprove the plan by a vote of 356 to 39. The Senate took no formal action on the floor.

Reorganization Plan No. 1 went into effect in the same form as that submitted by the President. The plan makes the Equal Employment Opportunity Commission the principal agency in fair employment enforcement. Together with other Presidential actions, it consolidates equal employment opportunity programs and lays the foundation of a single, coherent federal structure to combat job discrimination in all its forms.

The reorganization plan transfers to the Equal Employment Opportunity Commission several nondiscrimination responsibilities currently held by the other governmental units. Included are the following authorities.

- to coordinate all federal equal employment programs, an authority currently held by the Equal Employment Opportunity Coordinating Council (to be implemented by July 1, 1978);
- to ensure equal employment opportunity for federal employees, now held by the U.S. Civil Service Commission (October 1, 1978); and
- to enforce the Equal Pay Act and the Age Discrimination in Employment Act, now held by the Labor Department (July 1, 1979).

The President also announced February 23 that he will issue an Executive order consolidating responsibility for ensuring non-discrimination compliance by federal contractors in the Labor Department's Office of Federal Contract Compliance Programs. The Labor Department currently shares this authority with eleven other governmental departments and agencies. Consolidation of "contract compliance" responsibility will take effect October 1, 1978.

The President said he would review by 1981 all aspects of equal employment opportunity enforcement. His review, to encompass the Labor Department's performance as well as the EEOC's, will determine whether further changes are desirable.

Contact: Jeff Miller (395-3937)

EMERGENCY PREPAREDNESS--The reorganization proposed June 19 merges into one agency federal programs involved with preparedness, mitigation and response to national emergencies ranging from natural and manmade disasters to nuclear attack. The current fragmentation of these programs has caused redundancy and inefficiency in the federal effort and confusion on the part of States and localities.

The reorganization is designed to achieve the following objectives:

- make a single agency, and a single official, accountable to the President and Congress for all Federal emergency preparedness, mitigation and response activities;
- create a single point of contact for State and local governments, who have strongly urged consolidation of Federal emergency programs. (State and local emergency planning is

generally conducted now on an "all-hazard" basis, which takes advantage of program similarities inherent in preparing for the full range of emergencies--natural, manmade and nuclear.);

- enhance the dual use of emergency preparedness and response resources at all levels of government by taking advantage of the similarities in planning and response activities for peacetime and attack emergencies; and
- provide an improved basis for determining the relative benefits--and cost-effectiveness--of spending for hazard mitigation, preparedness planning, relief operations and recovery assistance.

The reorganization program consolidates five existing agencies into a combined unit:

- The Defense Civil Preparedness Agency (Defense Department), which administers the national civil defense program and provides planning guidance and financial assistance to State and local governments for attack and, as a secondary mission, natural disaster preparedness.
- The Federal Disaster Assistance Administration (Housing and Urban Development), which coordinates and funds federal natural disaster relief operations.
- The Federal Preparedness Agency (General Services Administration), which coordinates civil planning for national emergencies.
- The Federal Insurance Administration (Housing and Urban Development), which manages the flood insurance and hazard reduction programs. (This unit devotes the bulk of its staff to identifying flood hazard zones and assisting in the establishment of local flood plain zoning and building standards.)
- The National Fire Prevention and Control Administration (Commerce Department), which administers the federal fire prevention program in coordination with State and local governments. (The program helps communities set fireproof construction standards and implement other preventive measures.)

The reorganization transfers several other, closely-allied functions to the new Federal Emergency Management Agency:

- The community preparedness programs for weather emergencies, administered by the National Weather Service (Commerce);
- The Earthquake Hazard Reduction Program, Office of Science and Technology (Executive Office of the President);
- The Dam Safety Coordination Program, Office of Science and Technology (EOP); and

--The Federal Emergency Broadcast System oversight responsibility, Office of Science and Technology (EOP).

The consolidated agency, reporting directly to the President, will also have two emergency functions not now assigned to any specific federal agency: (1) coordination of emergency warning and (2) federal response to consequences of terrorist incidents.

Reorganization Procedure

The reorganization takes the form of a reorganization plan, submitted to the Congress June 19, and a series of executive orders to be issued when the plan becomes effective.

Contact: William Harsch (395-5105)

FEDERAL PLANNING REQUIREMENTS--To review federal planning requirements accompanying federal grant-in-aid programs to State and local governments, including areawide planning and development bodies. The objective is to eliminate, simplify or consolidate federal planning requirements where possible and appropriate. There are presently 162 federal grant-in-aid programs with well over 4,000 planning requirements having either a statutory or administrative base.

On June 8, OMB Director McIntyre reported on the agencies' zero-base reviews of federal planning requirements. His report identified a number of specific reforms, including HEW's program to eliminate, simplify or consolidate approximately 60 percent of nearly 1400 planning requirements and the Environmental Protection Agency's program to consolidate or simplify 165 of 300 such requirements. McIntyre proposed a year-long program to monitor these and other planning requirement simplifications.

Contact: Vincent Puritano (395-3774)

REGULATORY REFORM--On March 23, President Carter signed an Executive order designed to simplify federal regulations and reduce their burden on the American public.

The order directs all executive agencies to adopt rulemaking procedures that ensure federal regulations are written clearly and achieve their legislative goals with a minimum of paperwork and red tape. The President also sent a letter to heads of seventeen independent regulatory agencies asking that they implement these rulemaking reforms voluntarily.

The Executive order, which the President promised in this year's State of the Union address, directs agencies to reform new and existing regulations as follows:

Clarity. The order directs that all federal regulations be "as simple and clear as possible."

Increased Oversight. The order requires that each agency head personally approve all significant regulations before they are published. He or she must determine in each case that the proposed regulation is needed; that it is the least burdensome means of achieving a stated policy; that there has been adequate public involvement in the rulemaking process; and that it is "written in plain English and is understandable to those who must comply with it."

Public Notice. The order requires that agencies make regular early-warning announcements of any significant new regulatory action that is being considered. These announcements, to be made at least semiannually, must include the name and telephone number of a knowledgeable agency official.

Opportunity for Public Involvement. The order directs agencies to give the general public an early and real opportunity to participate in the development of agency regulations. Agency efforts should include sending notices of proposed regulations not just to the Federal Register but to trade magazines and other publications likely to be read by those affected. The order requires agencies to give the public at least 60 days to comment on proposed significant regulations.

Regulatory Analysis. The order directs agencies to prepare an analysis of those regulations with potentially significant consequences for the general economy or individual industries or regions. These analyses must contain a succinct statement of the problem being addressed; an analysis of the major alternative ways of dealing with it; and detailed reasons for choosing one alternative over the others.

Review of Existing Regulations. The order directs agencies to periodically conduct "sunset" reviews of their existing regulations to determine whether they are achieving the goals of this order. Agencies are required to base their priorities in these reviews on the following criteria: the continued need for the regulation; the number of complaints received; the burdens imposed by the regulations; the need to eliminate duplicative regulations; and the length of time since the regulation has been evaluated.

The Executive order is part of an Administration effort to both simplify and reduce the burdens of federal regulation. Examples of progress made so far include: CAB's reductions in domestic and international airfares; OSHA's decision to eliminate 1100 job safety regulations; HEW's Operation Common Sense, which has eliminated over 300 pages of regulations; EEOC's program to reduce backlogs and discrimination cases and the FCC's rewriting into plain English of regulations affecting millions of CB radio owners.

Public information contacts: CAB, Wallace Stefany, 673-5990; OSHA (Labor), John Leslie, 523-9711; HEW, Eileen Shanahan, 245-1850; EEOC, Daisy Voigt, 634-6930; FCC, Samuel Sharkey, 632-7260.

Agency plans for complying with the Executive order were published in the Federal Register during the weeks of May 22 and May 29. The public has an opportunity to comment on proposed agency procedures and the lists of existing regulations to undergo review.

Contact: Wayne Granquist (395-3423)

Projects Underway

The President's Reorganization Project is conducting studies in a number of government areas. These studies have as their objective the improvement of government effectiveness through reform of either management or structure. Several are directed specifically toward reducing the burden of government action on the citizen.

Those studies aimed at improving government management include:

ADMINISTRATIVE SUPPORT SERVICES--To improve management of administrative services within the Federal government. The study focuses on the following areas: organization and management, supply and support services, real property, telecommunication, and archives and records.

The project teams have completed 400 interviews and distributed questionnaires to more than 10,000 recipients. Those surveyed included Federal agency personnel; executives from private industry; State government officials; and representatives of trade, interest and professional groups.

Study issues include the following: balancing the efficiency of centralization with greater responsiveness (to the particular agency needs) of decentralization; resolving the conflict between service and regulatory roles vested in a single, central agency; reconciling the need for statutory, management, and budgetary limitations with the desire for streamlined procedures, lower costs, and faster service.

The Administrative Service Project team is developing memoranda on each of the issues. Initial discussions of the options among Federal agencies began on May 8, 1978.

Contact: Joe Malaga (235-2403)

AUTOMATED DATA PROCESSING--To improve the use of automated data processing in the delivery of government services.

The Federal government currently spends more than \$4 billion and employs more than 150,000 people, including contractor personnel, to operate 11,000 computers. Government acquisition, management and use of these data processing resources has been criticized on a number of counts: that their use by some agencies has failed to reduce paperwork; that certain uses of computer technology represent a threat to individual privacy; that computer-assisted processing of applications has been associated with delays and inaccuracies.

The Data Processing Project is in the final stages of preparing individual team reports. Draft copies of these will be circulated for public review and comment.

Contact: Walter Haase (235-2473)

DEPARTMENT OF DEFENSE--To participate in DOD reviews of Defense management, the National Military Command Structure, and Defense resource management.

The studies will seek to determine the following: the appropriate functions to be performed by the Office of the Secretary of Defense, Service Secretaries, and Service Staffs; the responsibilities for the management and control of combatant forces; and a more efficient organization of support activities.

On May 3, 1978, OMB conducted an interim review of the Defense Reorganization Studies. The next DOD Steering Committee meeting is scheduled for June 13, 1978.

Contact: Peter Szanton (395-6800)

ECONOMIC ANALYSIS AND POLICY MACHINERY--To review the economic analysis and policy machinery of the Federal government; to develop ways for improving the manner in which Federal government economic policy decisions are made and implemented.

The project has completed the first stages of its study of administrative structure.

Contact: Lester Salamon--domestic aspects, 395-5017; Eric Hirschhorn--international, 395-3727

HUMAN SERVICES--To improve the federal organization and delivery of human services to needy families and individuals.

The Federal government has a great number of agencies providing assistance to states and localities for the delivery of such programs as day care, nutrition, special health services, rehabilitation, employment, training and counseling. These programs are intended to complement the major income assistance and health insurance programs.

The Human Services study team met with several groups outside Washington to discuss its work in coordination and simplification.

Contact: Patricia Gwaltney (395-5014)

LEGAL REPRESENTATION--To review the Federal government's system of providing legal advice and representation to its departments, agencies and regulatory commissions. Areas of concern include: legal counseling, organization of civil litigation functions, staff and resource allocation, and improvement in the quality of legal representation.

As a result of an options paper distributed for comment throughout the government, final options and recommendations are being prepared.
Contact: Tread Davis (395-6113)

* * *

Those studies aimed at improving government structure include:

BORDER MANAGEMENT--To provide more coordinated management of the U.S. borders. The study focuses on the overlap and duplication of effort in border patrol and inspection. Proposals will be directed toward improving border controls and thereby helping to restrict the smuggling of drugs and the entry of illegal aliens, while facilitating legitimate international commerce.

Reorganization options are now being considered and will be presented to the President this month.

Contact: Tread Davis (395-6113)

CIVIL RIGHTS--The EEO reorganization plan became effective May 6. Phase II of the civil rights reorganization study deals with housing and federally-assisted programs.

The study team has now met with representatives of major state/local interest groups. It has begun circulation of an options paper.

Contact: Jeff Miller (395-3937)

COMMUNITY AND LOCAL ECONOMIC DEVELOPMENT--To improve the organization of federal local development programs.

The Federal government has today a vast number of programs to help rural and urban communities develop economically. These include: over 100 different business-assistance programs in more than ten agencies; 46 sewage-related programs, implemented through seven agencies in five departments, two independent agencies and eight regional commissions; at least 77 different housing programs administered by 15 different agencies; and 60 transportation grant-assistance programs.

Preliminary analysis of these programs suggests great duplication of effort and excessive program specialization. Programs that should be closely related work in isolation or at cross-purposes, making it difficult for localities to package such programs in a manner that contributes to community and economic development. By examining how these various programs relate at the local level, the study will identify ways to make the federal role in community development more rational, thereby helping localities make better use of federal programs.

The study team is analyzing the role of Title V commissions and the Appalachian Regional Commission, in implementing the Administration urban policy. It is beginning case studies on the delivery of federal community and economic development programs in specific communities.

Contact: Lester Salamon (395-5017)

FOOD AND NUTRITION POLICY--To review the organization of federal food and nutrition policy in the following areas: production, marketing and processing; research and education; international activities; commodity procurement and distribution; and conservation activities.

The project is developing issue papers in the area of food processing and distribution. The staff is meeting extensively with interest groups and agency representatives.

Contact: Lester Salamon (395-5017)

JUSTICE SYSTEM IMPROVEMENT--To study Federal government activities directed toward improving the justice system.

Substantial court backlogs, high legal costs, the continuing problem of crime, and other weaknesses reflect the need for improvement in the justice system. While the Federal government does not bear full responsibility for correcting these inequities, it does have a clear duty to make its own system a model and to encourage State and local governments to improve the quality of their justice systems.

The President has approved the establishment of a National Institute of Justice and the streamlining of the Law Enforcement Assistance Administration (LEAA). Consultations with the appropriate members of Congress are continuing.

Contact: Tread Davis (395-6113)

LAW ENFORCEMENT--To review all federal law enforcement missions, tasks and priorities.

A final report is being prepared. Comments on preliminary reports have been received from two-thirds of the 112 departments and agencies to which they were sent. Recommendations for improvements will be presented to the President this month.

Contact: Tread Davis (395-6113)

NATURAL RESOURCES AND ENVIRONMENT--To improve the organization of federal natural resources and environmental programs.

Federal programs in this area are dispersed among eight departments and agencies with 160,000 employees and more than \$17 billion in annual expenditures.

The study has completed its basic analysis of federal natural resources and environmental programs. It is developing a series of recommendations for consideration by the President.

Contact: William Harsch (395-5105)

* * *

Those studies aimed at reducing the burden of government include:

OSHA-WORKPLACE SAFETY AND HEALTH--To review jointly with the Labor Department federal efforts to improve workplace safety.

Hearings are being held in cities throughout the country. Work continues on an interim report.

Contact: Stan Morris (395-6176)

SURFACE TRANSPORTATION REGULATORY REFORM--An interagency task force, chaired by the OMB and the Department of Transportation, is examining a range of options on ways to reform motor carrier (truck) regulation.

A set of options has been developed and these are under consideration.

Contact: Stan Morris (395-6176)

PRESIDENT'S REORGANIZATION PROJECT

Office of Management and Budget

James T. McIntyre, Director

Harrison Wellford, Executive Associate Director for Reorganization and Management

Peter Szanton, Associate Director for Organization Studies

Wayne Granquist, Associate Director for Management and Regulatory Policy

Peter Petkas, Director, Project Management Staff

Terry Straub, Reorganization Project Congressional Liaison

White House

Richard A. Pettigrew, Assistant to the President for Reorganization
Christopher J. Matthews (Contact: 456-6730)

THE WHITE HOUSE
WASHINGTON

June 19, 1978

Jarvis
EEO/Vets
Turkey - Church
Labor law reform
Hosp Cost Cont

MEMORANDUM TO THE PRESIDENT

FROM: FRANK MOORE
BOB THOMSON *Bob*

RE: LABOR REFORM - STATUS

C

The next, and almost certainly the last, cloture vote on labor reform will occur Thursday at 3:00 P.M. The vote tomorrow was cancelled because of absentees (Sasser and Brooke). We are still one vote short.

The targets are Chiles, Long and Bumpers. Senators Byrd, Williams and Javits will meet with all three tomorrow. Secretary Marshall will stand by to join the meetings if necessary. We may ask you on short notice to meet with any or all of them during the next 48 hours.

Our trading stock is the equal access provision and a "guarantee" that the final bill emerging from Congress will be no tougher than the Senate bill. On equal access, labor will push for weakening modifications, but in the final analysis will accept elimination of the provision entirely. As for the "guarantee", it appears labor will agree to push for House acceptance of the Senate bill, thereby eliminating the need for Senate consideration of a conference report.

If concessions are made on the bill, they should be made by labor in bargaining sessions with the target Senators. Our role should remain that of a catalyst. We must also be prepared to consider requests not directly related to labor reform.

We are within one vote of defeating the most expensive and powerful lobby ever mounted against a bill in the nation's history. Our attitude should remain upbeat and positive. We still believe we are going to win.

THE WHITE HOUSE
WASHINGTON

June 19, 1978

Charlie Schultze

Jim McIntyre

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: REGULATORY REFORM

THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

May 26, 1978

FYI

MEMORANDUM FOR THE PRESIDENT

FROM JUANITA M. KREPS

SUBJECT REGULATORY REFORM

Juanita M. Kreps

Will Discuss @ Cabinet 6/19/78
J

Schultz/mc Intype
Pursue
J

In our recent conversation, I noted the importance of a comprehensive regulatory reform effort, if we are to hold down costs and prices. You will recall asking me to send you a memorandum on the subject. Accordingly, I summarize below the extent of current regulatory reform efforts and suggest an overview of all regulatory activity.

Current Regulatory Reform Efforts

The Administration has taken significant actions to improve Government regulation. Directed mainly at solving problems with individual regulations and programs, our efforts have not yet focused on the overall impact of regulation on the general performance of the economy, nor on our ability to fight inflation and reduce unemployment.

A comprehensive regulatory reform effort should have three components. The first should concentrate on individual regulations and the problems they create in terms of compliance, costs, paperwork, and seemingly arbitrary inconsistencies. The second should aim at improving the coordination and management of entire regulatory programs. The third should try to understand and report the collective consequence of all major regulations on economic performance.

The Need for an Overview

We are making progress in improving individual regulations and regulatory programs through implementation of your recent Executive Order. In addition, the Regulatory Analysis Review Group, chaired by the CEA, has begun reviewing individual regulations and making suggestions for their improvement. But the Regulatory Analysis Review Group is a limited effort. It lacks an institutional mandate, a senior official devoting full time to the undertaking, and adequate staff. Most importantly, it has no clear authority to pursue the issue of broad regulatory reform.

Assessment of the economy-wide impact of regulation continues to be inadequate. Regulations affect inflation, productivity, industrial location, investment patterns, and the nature and direction of technological change. And they are frequently inequitable, especially for smaller firms and localities.

Recent estimates suggest that the nation's total regulatory costs will increase from about \$60 billion in 1976, to over \$100 billion in the coming year. If so, the 1979 regulatory costs would equal 5 percent of GNP.

The impact of these costs on productivity, and thus on inflation, is greater than we have recognized. A recent Brookings study shows that the effect of expenditures for environmental, safety and health regulations and for crime prevention - in place since 1968 - was to reduce productivity growth by 20 to 25 percent in 1975. These data point up the need to view regulations as a major factor in economic policy and to improve our control of the Federal regulatory system.

We know the size of the Federal budget; we know the amount of Federal revenue foregone because of special interest tax concessions; we can track reasonably well the size of the money supply. But we need to broaden and deepen our understanding of the full economic impact of regulation. We need to develop an overview which relates regulatory activities to economic policy and enables us to mesh regulatory objectives with those of employment, price stability and economic growth. In your words (in the 1978 Economic Report), "We need to find a way to set priorities among regulatory objectives and understand more fully the combined effects of our regulatory actions on the private economy."

A Coordinated Approach to Regulatory Reform

Gaining an overview and improving control of the regulatory system will demand sustained work, as well as broad and balanced perspective. For these reasons, I recommend that you designate a senior official within OMB; possibly an associate director, to supervise and coordinate the Administration's effort. Aided by a small professional staff, this official could convene an analytically-oriented task force drawn from Executive Departments and Agencies.

The task force could further regulatory reform in three ways. It could:

- o Systematically collect and analyze complaints and

suggestions about regulations, i.e., serve as a regulatory ombudsman. This would help us to identify problems that seem unique to particular regulations but are actually common to most regulatory programs.

- o Develop a framework for regulatory management and accountability. Here, I believe we should consider a regulatory budget. The budget would show all Federal expenditures for regulatory activities, along with private sector costs of compliance. Such a budget would also provide a framework to evaluate the cost-effectiveness of regulatory activities and to assess regulatory priorities. Once costs are established, the regulatory agencies would have strong incentives to improve estimates of the benefits of regulation, which in many cases will exceed the costs. The point is that a regulatory budget will initiate a process that will directly improve the measurement of costs, which in turn will lead to improved benefit measurement and an assessment of the overall impact of regulations on the economy.
- o Explore alternatives to conventional regulatory methods. I believe there are cases where we can achieve our regulatory objectives more effectively without mandatory rules. Alternative means include voluntary industry-developed standards, financial incentives, and labeling and other disclosure mechanisms to alert workers and product users to potential risks.

Such a task will require considerable time, but all the more reason to begin the work now. For that reason, I believe we should put this program or parts of it in place before any public announcement is made.

The Department of Commerce would enthusiastically support such an initiative with technical and staff assistance. Please let me know if you would like me to develop these ideas further.

SUMMARY OF STAFF
COMMENTS

SUMMARY OF STAFF COMMENTS

- Jim McIntyre points out that the EOP reorganization created an Associate Director for Management and Regulatory Policy (Wayne Granquist) in OMB to concentrate on regulatory policy and paperwork reduction. This staff has been working with CEA and DPS "to coordinate your overall regulatory reform program," with the following objectives:

- OMB is focusing on the Executive Order on Improving Government Regulations "as the basic tool for bringing sense and direction out of the regulatory mess."

The Order requires agencies to identify all significant rulemaking actions every 6 months. "Successful implementation of the EO is essential before a regulatory budget can be developed. Before we can determine the private sector compliance costs of regulations, we must know which agencies regulate what actions in what sectors of the economy."

OMB is also attempting to improve the quality of new regulations, eliminate overlap among existing regulations, cut down red tape and reduce paperwork. McIntyre will be sending you a comprehensive report to Congress on paperwork reduction shortly.

- CEA's Regulatory Analysis Review Group helps fight inflation by examining the economic effects of major individual regulations.
- The Administration is exploring alternatives to conventional regulatory methods. For example: airline deregulation; a DOL/OMB task force attempt to find less burdensome ways of protecting worker health and safety.

"Our actions so far have been the work of only a few staff professionals -- approximately 5 in OMB, 2 in CEA, and 2 Domestic Policy staff. Therefore, we need to increase department and agency involvement... By July 1, I will report on our plans for expanding our efforts and increasing the effectiveness of regulatory reform."

- Charlie Schultze: "Secretary Kreps has put her finger on a very serious limitation of our current regulatory reform effort. I am convinced that major changes are required in the Executive Office structures designed to oversee reforms in the manner in which we regulate the economy... We will not succeed in truly reforming the regulatory process until

more pervasive changes are made in our whole process of developing regulations... The Executive Order that you signed in March is an important, but only an initial step in this direction."

- At present, final authority to issue regulations is vested in agency heads -- but there are serious legal and political difficulties to any review by the EOP. "We need to find ways to require regulatory agencies to pay more attention to economic concerns when developing regulatory proposals... We need to consider whether we can develop procedures analagous to the budget system" for setting government-wide priorities among regulations.
- "The problem of long-run regulatory reform is not a matter of government reorganization." Schultze recommends that you ask OMB to create a small group, headed by someone prominent in the regulatory reform field, "to consider longer range alternatives to the current legal, administrative and procedural context in which regulatory decisions are made," and to report to Jim McIntyre within a set period of time.
- Stu Eizenstat agrees with Secretary Kreps that the negative economic impact of the Federal regulatory burden is very severe, but questions some of her specific suggestions.
- OMB already has an Associate Director responsible for regulatory reform. "There is a serious question whether that office's regulatory policy staff is adequate to properly administer those portions of the Executive Order for which it is now responsible." Broader responsibilities would require more staff.
- "An overall coordinating role for regulatory reform activities generally requires an official with greater stature than an OMB Associate Director; in effect, the Secretary is recommending a 'regulatory czar,' with coordinating or supervisory responsibilities regarding activities carried on by CEA, COWPS, as well as the line agencies, and in our judgment that job could only be handled by a new Special Assistant to the President -- with a substantial staff." Stu would not favor this. Instead, he recommends that OMB, CEA and DPS continue to work on the "very challenging" jobs at hand, such as executing the existing Executive Order.

- Elizenstat agrees with Kreps that it would be a good idea to develop the concept of a 'regulatory budget,' "although it presents enormous conceptual, administrative and political problems." He recommends that you direct Secretary Kreps to take the lead in such an effort, and "to report back to you soon with a plan for assessing and refining this concept." CEA, OMB and DPS should be involved.

Stu cautions, however, that "agencies which will see themselves as likely victims of a regulatory budget process -- OSHA, EPA, FDA and others -- as well as their constituencies -- may be displeased by such an effort." Nevertheless, Stu thinks that a low-key study, with approval on a "study-only" basis, is an excellent idea.

- Stu also recommends that you encourage Secretary Kreps to explore alternatives to conventional regulatory methods, if she has resources to do the additional work. "EOP regulatory staffs are overtaxed by their current responsibilities; a strengthened effort would have to be conducted mainly by a line agency."
- Stu observes that public concern about excessive regulation is likely to gain momentum over the next few years, especially if the statistics presented in the Kreps memo are accurate. But more work needs to be done in explaining the issue, and particularly in explaining existing Administration efforts to deal with the regulatory problem to the public. "One starting point would be to provide you with more useable material concerning the general impact of regulation on the economy."

FOR ACTION: STU EIZENSTAT

JACK WATSON

JIM MCINTYRE.

CHARLIE SCHULTZE

INFO ONLY: THE VICE PRESIDENT

LANDON BUTLER

ANNE WEXLER

SUBJECT: KREPS MEMO RE REGULATORY REFORM

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM FRIDAY 02 JUN 78 +
+++++

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

June 13, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT
SI LAZARUS

Sch

SUBJECT: Kreps Memo on Regulatory Reform

Secretary Kreps' memo has two points: first, that the negative economic impact of the Federal regulatory burden may be more severe than we or the public have recognized to date; and, second, that the Administration's regulatory reform efforts should be strengthened in several specific ways.

However valid the estimates and studies on which Secretary Kreps' bases her conclusion that environmental, health, and safety regulations retard productivity growth by 20-25%, it appears clear that she is right in concluding that the dimensions of this problem are very severe, indeed. Your public statements and your programs--especially Charlie Schultze's program for regulatory analysis of significant new regulations--reflect your own commitment to aggressive action in this area.

With respect to the specific suggestions Secretary Kreps offers for strengthening your regulatory reform program, we have the following reactions:

1. Secretary Kreps recommends an Associate Director in OMB to supervise and coordinate the Administration's effort. OMB now has an Associate Director (Wayne Granquist) in charge of "Management and Regulatory Policy." His office has played a major role in developing such management reform initiatives as the civil service reform proposals and such regulatory reform initiatives as the Executive Order on Improving Government Regulations (E.O. 12044) of March 23, 1978. There is a serious question whether that office's regulatory policy staff is adequate

to properly administer those portions of the Executive Order for which it is now responsible (sunsetting of outdated existing regulations and development of new regulatory procedures). Broader responsibilities, as suggested by Secretary Kreps, would require more staff. More important, however, an overall coordinating role, for regulatory reform activities generally, requires an official with greater stature than an OMB Associate Director; in effect, the Secretary is recommending a "regulatory czar," with coordinating or supervisory responsibilities regarding activities carried on by CEA, COWPS, as well as the line agencies, and in our judgment that job could only be handled by a new Special Assistant to the President--with a substantial staff. This concept has some appealing features, but we do not favor its adoption. In any event, it would require careful study; at this time, we believe the energies of OMB, CEA, Domestic Policy Staff, and other Administration regulatory reform staffs would be far better spent executing the very challenging action mandates contained in the Executive Order and in other regulatory reform efforts, such as airline and motor carrier reform legislation.

2. Secretary Kreps recommends that a task force supervised by an EOP figure should systematically collect and analyze complaints--as a "regulatory ombudsman." We would reject this suggestion. A highly visible commitment to establish such an ombudsman would present enormous administrative and political problems to fulfill; the ombudsman's jurisdiction would be amorphous and conflict with other officials and agencies and cause great internal confusion. Without substantial staff and strong Presidential backing (and continual involvement), the ombudsman would be quickly perceived by the press and the public as a paper tiger, causing embarrassment for you.

3. Secretary Kreps recommends development of the concept of a "regulatory budget." We think this is a good idea, although it presents enormous conceptual, administrative, and political problems, and will require very careful thought and consultation, before a workable legislative or administrative program could be proposed. We believe that Secretary Kreps should be directed to take the lead in such an effort, and to report back to you soon with a plan for assessing and refining this concept over a period of several months. CEA,

OMB, and the Domestic Policy Staff should be involved, as well as other interested agencies. You should understand that agencies which will see themselves as the likely victims of a regulatory budget program -- OSHA, EPA, FDA, and others -- as well as their constituencies -- may be displeased by such an effort. Even a study may prove controversial, internally and externally, and any proposals which result from the study will almost certainly be controversial. Nevertheless, we believe that the study, conducted in a low-key way, with your approval on a study-only basis, is an excellent idea.

4. Secretary Kreps recommends exploration of alternatives to conventional regulatory methods. Such efforts are now going on, on a piecemeal basis -- for example, in the OMB-DOL Task Force on Workplace Safety and Health, which you established last August 5, and by CEA and EPA in connection with certain EPA programs. EOP regulatory reform staffs are overtaxed by their current responsibilities; a strengthened effort would have to be conducted mainly by a line agency, like the Department of Commerce, with EOP participation. If Secretary Kreps has the resources to do further work in this area, we would recommend that she be encouraged to do so.

We would add one point to those made by Secretary Kreps. It is evident, from episodes like that through which we are now passing with regard to OSHA's cotton dust regulation, that public appreciation of the gravity and complexities of the regulatory problem is superficial. It also seems likely that in a year or two, if statistics like those presented in the Secretary's memo are accurate, public concern about excessive regulation will gain momentum. You have programs in place, under the Executive Order and Charlie's review group procedure, which can put you in a strong position to be seen as a leader of national efforts to grapple with the regulatory problem. But in order to implement those programs with sufficient vigor to make a strong record a year or two hence, it is essential for the Administration to explain the issue and its programs more thoroughly and dramatically to the public. One starting point would be to provide you with more useable material concerning the general impact of regulation on the economy, such as that presented by Secretary Kreps, for use in appearances and speeches.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 3, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze **CLS**
SUBJECT: Kreps' memo on Regulatory Reform

Secretary Kreps has put her finger on a very serious limitation of our current regulatory reform effort. I am convinced that major changes are required in the Executive Office structures designed to oversee reforms in the manner in which we regulate the economy. Case-by-case efforts, such as the Regulatory Analysis Program, are essential policing mechanisms. But we will not succeed in truly reforming the regulatory process until more pervasive changes are made in our whole process of developing regulations, assessing their consequences, assigning and choosing among priorities -- as we do in the budget process.

The Executive Order that you signed in March is an important, but only an initial step in this direction. I believe with Secretary Kreps that more ultimately must be done. However, before effective and permanent reform of the regulatory reform process is possible, some obstacles to economically sensible regulatory proceedings must be removed. For example:

- We need to find ways to require regulatory agencies to pay more attention to economic concerns when developing regulatory proposals. And we probably need to revise much legislation that virtually forbids regulators from pursuing the most reasonable regulatory solutions.
- We must look at the procedures for reviewing regulatory proposals. Currently, final authority to issue regulations is vested in agencies' heads. There is no outside review, except under extraordinary circumstances, and there are serious political and legal difficulties to any review by the Executive Office to enforce Presidential directives.

--We need to consider whether we can develop procedures analagous to the budget system for Federal expenditures for evaluating and setting government-wide priorities among regulations.

At this point, no one has very good solutions to any of these problems. The Commerce Department is undertaking some research in this area, and we are discovering a great deal through the Regulatory Analysis Program. However, I agree with Secretary Kreps that it would be extremely useful to establish within the Executive Office a group to consider longer range alternatives to the current legal, administrative, and procedural context in which regulatory decisions are made.

I have discussed this problem with Jim McIntyre. He agrees that the following suggestion is quite consistent with his own views and objectives:

- h (1) You should ask OMB to create a small group, headed by an individual of considerable stature in the regulatory field, to take a long-range look at the problems of regulation.
- (2) I believe that this group should be given significant prominence by reporting directly to Jim, perhaps by naming the head of the group a Special Assistant to the Director. In particular, the problem of long-run regulatory reform is not a matter of government reorganization. It involves, at first, a major analytic and research effort in developing data, devising broad principles for reconciling economic and social objectives, and creating a new government-wide approach to regulation.
- (3) This group could be charged to report on the findings to the Director, and through him to you, within a set period of time -- perhaps one year or 18 months from its inception.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JUN 5 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. MCINTYRE, JR. *Revision Welford to J.M.*

SUBJECT: Secretary Kreps' Memorandum on Regulatory Reform

I agree with Secretary Kreps' observations on the importance of a broad, coordinated strategy for regulatory reform. In fact, a number of actions she suggests are already underway. It may be helpful to review our regulatory reform agenda and what we have accomplished so far.

Last fall, as a result of the EOP reorganization, we created an Associate Director for Management and Regulatory Policy and set up a new division in OMB to concentrate on regulatory policy and paperwork reduction. This staff has been working closely with CEA and the Domestic Policy staff to coordinate your overall regulatory reform program. This program has the following four objectives:

1. Developing a framework for management and accountability - focusing on the Executive Order as the basic tool for bringing sense and direction out of the regulatory mess;
2. Fighting inflation - including the analysis of costs that must be borne by the public in complying with Federal regulations;
3. Exploring alternatives to conventional regulatory methods - including efforts to substitute competition for regulation in certain industries and to find less intrusive ways of regulating, such as the use of performance standards in lieu of detailed government specifications; and
4. Reducing burdens - including reducing needless paperwork and red tape for businesses, State and local governments, individuals, etc., reducing regulatory uncertainty, and eliminating outdated regulations.

Developing a framework for management and accountability

Your Executive Order on Improving Government Regulations can bring about the most fundamental overhaul in the regulatory agencies since the Administrative Procedure Act of 1946. The number of regulatory agencies and the pervasiveness of their regulations have grown dramatically, but because their budgets are small, they are not often rigorously examined by the budgetary process. Yet their public impact is huge. The Executive Order addresses this problem in several ways:

- Accountability. Agency heads will be held personally responsible for their regulations. Authors of regulations will have to sign them. Decisions that were often made several levels down in the bureaucracy will now undergo top-level policy review.
- Plain English. Regulators will take pride in the clarity of regulations when held accountable for them. In addition, more meaningful public involvement will increase the clarity of government regulations.
- Sunset. Specific burdensome regulations will be identified for elimination or reform. Like ZBB, we will begin to look not only at new regulations but at the regulatory base as well.
- Agenda. All significant rulemaking actions will be identified every six months. This overview will allow the agency head to establish priorities and provide the public an early warning of the agencies' regulatory activities. This will provide an initial data base for assessing the cumulative impact on specific industries and economic sectors.

Successful implementation of the Executive Order is essential before a regulatory budget can be developed. Before we can determine the private sector compliance costs of regulations, we must know which agencies regulate what actions in which sectors of the economy. On-going work on a regulatory budget should continue. We are working with the Business Roundtable and Arthur Andersen on just such a preliminary effort and will work with Juanita Kreps to coordinate these efforts.

Fighting Inflation

- The Regulatory Analysis Review Group, chaired by CEA, is examining in detail the economic effects of major individual regulations. Their initial targets have included such things as OSHA's proposed regulation of acrylonitrile and EPA's new regulations to prevent significant deterioration of air quality.

- ° I have asked Joe Califano to undertake a major review of the total costs which Federal regulations impose on hospitals and health care institutions and identify those costs that can be reduced.

Exploring alternatives to conventional regulatory methods

In the past, regulatory agencies have followed a traditional pattern of establishing detailed rules for public behavior. Often, such heavy-handed Federal control is not needed to accomplish the desired end. We are working to correct this situation in several areas.

- ° Transportation reform. Under the leadership of the Domestic Policy Staff and Frank Moore's people, the Administration has been pressing for the enactment of airline reform legislation this year. CAB Chairman Kahn has already begun to remove unnecessary regulatory controls. The results in terms of increased traffic and lower fares are already visible.

Our next target is ICC trucking regulation and we are working closely with Senator Kennedy's staff to develop realistic proposals for reform. Their initial focus has been on the collective pricing activities of trucking rate bureaus which unnecessarily inflate the cost of truck transportation. At the same time, we will reexamine railroad regulation to see if further reform is needed to balance proposed changes in trucking regulation.

- ° Workplace Health and Safety. The joint DOL/OMB task force is looking at less burdensome, more effective ways to protect worker health and safety. For example, in its final report (to be completed in 90 days), the task force will explore the feasibility of using financial incentives and/or voluntary compliance as supplements to existing regulatory methods.

Reducing regulatory burdens

In addition to improving the quality of new regulations, we are reviewing existing regulations to eliminate overlap and duplication, cut down red tape and reduce paperwork.

The departments and agencies have made significant reductions in paperwork, particularly in student loans, ERISA and OSHA. We will forward a comprehensive report on these achievements to you and the Congress in two weeks.

Thirty-nine departments and agencies have identified regulations for review, and asked the public to name those that are burdensome, outdated, overlapping or conflict with other regulations. Within resource constraints, we intend to pay particular attention to this part of your Executive Order. We will attempt to assume the ombudsman role proposed by Juanita Kreps.

The new Civil Rights reorganization will eliminate much duplication, particularly in the area of Contract Compliance. In addition, EEOC is taking steps to reduce regulatory uncertainty by focusing on face-to-face mediation in lieu of costly litigation to address civil rights disputes. Your recent drug reform legislation will also eliminate delay and uncertainty in new drug development.

I believe we have the elements of a far reaching regulatory reform strategy in place. However, to succeed, the departments and agencies must support our four objectives and participate vigorously in efforts to achieve them. As Juanita Kreps suggests, the department heads clearly share our concern about the importance of regulatory reform. Our actions so far have been the work of only a few staff professionals -- approximately 5 in OMB, 2 in CEA, and 2 Domestic Policy staff. Therefore, we need to increase department and agency involvement. I intend to schedule a meeting soon with senior White House staff, Charlie Schultze, Juanita Kreps, Mike Blumenthal, and others to discuss strategy and staff coordination. By July 1, I will report on our plans for expanding our efforts and increasing the effectiveness of regulatory reform.

THE WHITE HOUSE
WASHINGTON

June 19, 1978

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

CONG. ALLEN

THE WHITE HOUSE
WASHINGTON

*Called
J*

Mr. President;

At 5:51 this evening the White House Operator
received word that Cong. Clifford Allen of
Tennessee passed away.

Thank you,

Nelson

*8 35
PM*

3/85

THE WHITE HOUSE
WASHINGTON

June 19, 1978

Jerry Rafshoon

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

PRESS CONFERENCE CRITIQUE

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

June 15, 1978

*Jerry -
I can't spare
an entire day
J*

~~CONFIDENTIAL~~

MEMORANDUM FOR THE PRESIDENT

FROM: JERRY RAFSHOON *JR*
SUBJECT: PRESS CONFERENCE CRITIQUE

I am bound and determined to get more order out of your press conference preparations and consequently the press conferences themselves. On our part we will:

1. Try to schedule most press conferences in the afternoon and precede them with a free morning.
2. Definitely have opening statements and briefing books to you by close of business the night before. This does not mean midnight, but rather by the time you leave your office for dinner.
3. Last minute urgent statements will have to be in by noon of the afternoon conference.

Now.....for your part.

I would give your press conference of June 14, a "B". Not bad, but not your best. The handling of the Castro questions was excellent; the handling of the Proposition 13 questions was not so good. They were inverted; the last part of your answer should have been your first part. A question such as this should have been answered in a more thematic fashion; not getting into the financial details of how the federal government is going to respond to California's fiscal problems, but an answer that shows that you have been trying to hold the line on the budget and that the sentiment to cut government spending has been heard and has been a part of your administration (or at least a part of you personally) since you ran in 1976.

You tend to answer in too much detail at press conferences. Your answers should be shorter. I realize that means you'll risk getting more questions, but it also means that the people watching on television will not get bored with you as they do when you give them an encyclopedia of details. You are so inundated with briefing books that you tend to give too much. I think it is a mistake and I know the American people are not listening. Perhaps, if you get your books the night before you can review them early enough so that you digest the information for background and then you can have your answers down the next day.

If we can get on a decent schedule of preparation for the press conferences, we should meet with you one hour before the conference for 30 minutes of Q&A and then 15 minutes of general discussion and then 15 minutes for make-up and relaxation. Then on the way over to EOB, it will be up to all of us not to give you any last minute things to think about.

We need to give you some humor for your press conferences. They lack it. I will have someone do timely humor for you to take or leave. This will also be in to you the night before.

I think it would be a good idea for you to play tennis following a press conference. Also, if you can do that early in the morning of a press conference, it would help to relax you. I will take this up with the staff, too.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

19 June 1978

TO: THE PRESIDENT

FROM: RICK HUTCHESON *R.H.*

SUBJECT: Memos Not Submitted

1. PETER BOURNE sent you a copy of ODAP's annual report. ✓
2. HENRY OWEN NOTE. "David Rockefeller, Bill Scranton and Bill Roth told me last night that they had heard nothing but praise for you from Trilateral Commission members who heard you Monday..." ✓
3. GERARD SMITH MEMO. "Pursuant to your agreement with Geisel, I explained our new law to Foreign Minister Silveira and his technical advisors this week. It appears that Brazil will meet the law's conditions to permit us to supply their first power reactor, but prospects are not bright for broader cooperation or for any change in their policy re going for a national full fuel cycle capability." Brzezinski had no comment. ✓
4. PETER BOURNE forwarded to you a memo from Paul McCleary, Executive Director of the Church World Service, describing the recent visit of the Church World Service to Vietnam, and discussions with Vietnamese leaders. NSC had no comment on it. A copy has been sent to the State Department. ✓
5. JUANITA KREPS MEMO. "In its May 15 issue, Time Magazine incorrectly reported that I had been critical of the manner in which you handled Bert Lance. This misstatement causes me considerable distress as it in no way reflects my feelings. Time subsequently issued a retraction on June 5." ✓
6. SECRETARY BERGLAND MEMO reporting on his recent trip to the USSR and Eastern Europe. "I was struck by the apparent desire of each country to improve bilateral agricultural relations with the US. This was especially true in the East European countries visited, but also ✓

evident in the USSR. I was also struck by the extreme variability in Soviet grain output. Changes in weather can cause output to change from one year to the next by as much as 50 million tons or more. This suggests that their import demands are likely to continue to be quite unstable, with important impacts on world markets..." ✓

A more detailed summary of his trip is not submitted. A copy has been sent to NSC.

7. JIM McINTYRE MEMO reporting to you a violation of law by the Coast Guard, as required by law.

"Obligations and expenditures were incurred in excess of the First Quarter apportionment for FY 78 in the Coast Guard Retired Pay appropriation. However, there is no violation of the amounts available in the appropriation." Secretary Adams and Jim McIntyre agree that the Coast Guard has taken action to improve its management and control of Retired Pay funds to preclude recurrence of this type of violation, and believe that disciplinary action is not necessary. ✓

8. SAM BROWN sent you copies of editorials from the Washington Post and New York Times praising the urban policy's Urban Volunteer Corps proposal.

Brown states: "The neighborhood initiatives are getting favorable editorial comment and good coverage, particularly by the out-of-town press. Mary and I are continuing to travel and meet with mayors, neighborhood groups, voluntary action organizations, etc. Their responses to the President's "New Partnership" have been very positive. We are concentrating on visiting mid-sized cities, which are often neglected by Washington spokespersons." ✓

THE WHITE HOUSE
WASHINGTON

6/19/78

TO.

Rick Hutcherson

For Your Information:

For Appropriate Handling:

✓

Robert D. Linder



OFFICE OF
THE DIRECTOR

ACTION

WASHINGTON, D.C. 20525

June 9, 1978

RL

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

I thought you might like to see the enclosed clippings. The neighborhood initiatives are getting favorable editorial comment and good coverage, particularly by the out-of-town press.

Mary and I are continuing to travel and meet with mayors, neighborhood groups, voluntary action organizations, etc. Their responses to the President's "New Partnership" have been very positive. We are concentrating on visiting mid-sized cities, which are often neglected by Washington spokespersons.

Sincerely,


Sam Brown

Enclosures

Action Goes Urban

In a dashing foray, Sam Brown and Action have ridden in and carried away \$50 million of the Carter Administration's new urban policy kitty. Mr. Brown heads Action, the Federal agency that runs the Peace Corps and other volunteer programs; the \$50 million will now give it a role in local neighborhoods. It is a small role in a program that is modest to begin with, but it could represent a welcome infusion of creativity.

Mr. Brown campaigned hard for the \$50 million in neighborhood program funds. While officials at the Department of Housing and Urban Development hired well-known consultants to draft proposals, he enlisted old allies from the antiwar movement and delivered fresh ideas to White House aides.

The new funds will go for three purposes: Some \$24 million would help establish a volunteer service corps of professionals—lawyers, accountants, management spe-

cialists—in 140 cities. Another \$16 million would start a "Good Neighborhood Fund" for small grants of perhaps \$5,000 for clean-up and beautification projects. The final \$10 million is for neighborhood anti-crime projects, including rape counseling and drug abuse treatment, which Action would manage together with the Law Enforcement Assistance Administration.

Action's involvement in neighborhood activity raises potential problems. Can the agency, for instance, disburse the small clean-up grants without creating too much red tape while insuring that something gets done? Moreover, expanding Action's domestic charter will require legislation, but it ought to be enacted. Communities around the world have benefited from the idealism, vitality and skills of American volunteers; we're glad to see the Administration putting some more Action into American neighborhoods as well.

x
Thursday, May 4, 1978

THE WASHINGTON POST

Neighborhood ACTION

A COUPLE of interesting proposals, intended to help more than 100 neighborhood groups throughout the country, are being voted on today by members of the the House Education and Labor Committee. Already passed by the Senate Human Resources Committee, they are amendments to legislation extending the life and budget of ACTION, the federal agency handling such volunteer-service programs as VISTA, Peace Corps and Retired Senior Volunteer Program. One proposal, for an Urban Volunteer Corps, would work this way: An ACTION staff member in a particular city would find 1) an accountant (let us say) who was interested in volunteering record-keeping and auditing services and 2) a community group that needed those services—and then match the two. The group would receive professional accounting assistance, and the volunteer would be able to devote as much—or as little—time as the task required. To cover the inevitable costs of managing this type of volunteer program, ACTION also proposes to create a Good Neighbor Fund, to pay for local transportation, materials, supplies and other administrative costs.

The second proposal is called—forgive us—the Mayor's Street-Level Anti-Crime Package. It is a plan

to assist neighborhoods that have severe crime problems. Neighborhood centers dealing with such things as alcohol or drug-abuse treatment, counseling of rape victims and suicide prevention would be given small grants to strengthen their programs and to improve their services, under the direction of local officials and community leaders. As in the case of the volunteer corps, this anti-crime effort would need money to cover administrative costs, though some of the tab would be picked up by the Law Enforcement Assistance Administration of the Justice Department.

All told, the Urban Volunteer Corps and the anti-crime program would reach about 150 cities and cost a little less than \$50 million (ACTION's current budget for domestic activities is about \$113 million). Almost all of ACTION's domestic programs are based on the idea of matching community needs to the skills of "professionals," and these proposals are no exception. The difference here is that the new activities would allow individuals to volunteer their time, even if only for a few hours a week, instead of pledging themselves to two full years of volunteer service. That's an idea, in our view, worth supporting.

ACTION

WASHINGTON, D.C. 20525
OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE \$300

POSTAGE & FEES PAID
ACTION



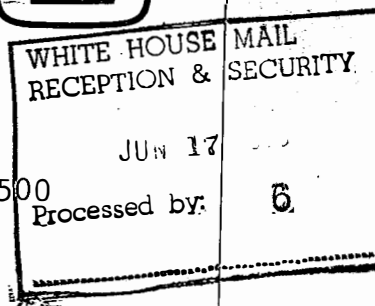
ACTION

WASHINGTON, D. C. 20525
OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE \$300

POSTAGE & FEES PAID
ACTION



The President
The White House
Washington, D.C. 20500



L-1

E-15

THE WHITE HOUSE
WASHINGTON
June 16, 1978

Mr. President

F.Y.I.

- note the request to
see you, briefly.

28.

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Kraft & Gammill to Pres. Carter, w/attachments 5 pp., re:recommendations	6/15/78	C
Report	Report of Deficiency Act violations, 3 pg.	n.d.	C
Memo	Gerard Smith to Pres. Carter, 1 pg., re:Reactors	6/15/78	A
Letter	PM Callaghan to Pres. Carter, w/attachments 4 pp., re:Correspondence w/Foreign Head-of-State	6/17/78	A
Memo	Henry Owen to Pres. Carter, w/attachments 11 pp., re:Legislative constraints on Foreign Assistance	6/15/78	A
Memo	McIntyre & Owen to Pres. Carter, w/attachments 16 pp., re:Aid to Caribbean/Letters to Foreign Heads-of State	6/15/78	A
Minutes	Cabinet Meeting Minutes, 9 pp.	6/19/78	A

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of the Staff Sec.-Presidential Handwriting File 6/19/78 [2] Box 92

RESTRICTION CODES

- (A) Closed by Executive Order 12356 governing access to national security information.
- (B) Closed by statute or by the agency which originated the document.
- (C) Closed in accordance with restrictions contained in the donor's deed of gift.

THE WHITE HOUSE

WASHINGTON

June 14, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: PETER BOURNE *P.B.*
SUBJECT: ANNUAL REPORT OF ODAP.

The attached report required by Congress summarizes the activities of the Administration in the drug field during existence of ODAP.

PGB:ss

Attachment

ID 783125

THE WHITE HOUSE

WASHINGTON

DATE: 14 JUN 78

FOR ACTION: ZBIG BRZEZINSKI

6/19 Clinton will call back w/ comment

nc

INFO ONLY:

SUBJECT: BOURNE MEMO RE VISIT BY CHURCH WORLD SERVICE TO
VIET NAM

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1000 AM FRIDAY 15 JUN 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

June 13, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: PETER BOURNE *P.B.*

SUBJECT: VISIT BY CHURCH WORLD SERVICE TO VIET NAM.

I have the highest regard for Paul McCleary, the author of the attached memo. While the political realities preclude much shift in our policy towards Viet Nam, I feel that the memo contains sufficient new information to warrant your seeing it.

PGB:ss

Attachment



CHURCH WORLD SERVICE

475 RIVERSIDE DRIVE, NEW YORK, NY 10027
cable DOMINICUS • RCA Telex 224579 • TWX 710-581-5981

Paul F. McCleary, Executive Director (212) 870-2257

Kirk G. Alliman
Assistant for Emergency Response
(212) 870-2423

Office of the Executive Director

Midge Austin Meinertz
Assistant for Development
(212) 870-2454

June 8, 1978

MEMORANDUM

President Jimmy Carter
Secretary of State, Cyrus Vance

Re: Vietnam Trip

From: Paul F. McCleary, Executive Director, Church World Service

We have just returned from 16 days in Vietnam in connection with delivering 10,000 tons of wheat from American churches. While there we met with Prime Minister Pham Van Dong; Deputy Foreign Minister Nguyen Co Thach; Xuan Thuy; Ministers of trade, education; deputy ministers of agriculture, food and foodstuff; leadership of Ho Chi Minh City.

Based on our conversations with Vietnam leadership, we feel their position vis a vis normalization of relations is flexible and shows readiness to resume discussions.

A. First, they are interested in proposing, as you know, an intermediary step which would essentially serve to postpone post war aid and establishment of diplomatic posts. This step, the exchange of trade relations, would be in keeping with historical precedents of both the US, e.g. with Soviet Union and China, and of Vietnam, e.g. France, Japan, etc. In all cases trade preceded establishment of embassies. We were not able to confirm recent reports in Far Eastern Economic Review indicating

a report from a third world diplomat that Vietnam had agreed to drop three point parallel position including agreement on post war aid. In fact that report was specifically denied. It seems to stem from a misreading of the above position.

We have reason to believe that a new Foreign Minister may be named at the end of this year and that the candidate most likely to succeed will be Nguyen Co Thach presently Deputy Foreign Minister with responsibility for the West. We feel this is of great significance.

B. Vietnam seems eager to negotiate a settlement of the Cambodian border conflict and appears genuinely distressed over this outbreak of hostilities. They have agreed to provide for the more than 100,000 refugees who have taken refuge on the VN side of the border, are making sacrifices in what little food is available to accomodate not only Cambodians but also Vietnamese evacuees as well, who have had to be moved from border areas, creating overcrowding conditions in towns further inland. Rations have been cut by people in provinces affected to accomodate extra population. UN agencies are studying situation and seem positively impressed with need to provide immediate relief. Their decision to aid refugees and evacuees with food, clothing and medicines should be forthcoming in the next month or two. In the meantime, Vietnam has created at least 7 refugee centers, where people are able to grow their own crops. They have invited voluntary agencies to assist with relief supplies.

C. We were able to confirm the continuing need for food pending the success of their plan to become food self-sufficient by 1980. Authorities confided that it probably won't be until 1985, however, because there is a new obstacle to the harvest: a pest epidemic resulting from use of left over American high yield seed which was developed for use with fertilizers and insecticides, both of which are sorely lacking. While Vietnam has been

able to purchase or borrow significant quantities of grain, Westerners, residents in Hanoi, indicated that the 1.8 million ton shortfall is down to 400,000 tons and projected to drop to 200,000 tons next year. That will of course depend in part on success of next harvest. However, all state planning has been modified to put agriculture at the #1 priority for all sectors. None of these figures includes any reserves for emergencies. The present harvest is 16 million tons for this year and 21 million is projected as necessary by 1980. This includes at least 3 million tons in supplementary crops such as manioc, sweet potato, wheat. As much as 30% of the rice ration is now taken in tuberous plants. Additional food is clearly needed, and is welcome on a bilateral basis as grant or loan, as well as through international agencies. One reason for some of the exodus of persons clearly stems from lack of food.

D. We met with a variety of western businessmen in Hanoi prepared to sign contracts for long-term credits, technical assistance and production of machinery for energy, farming and manufacture. American businessmen in Hong Kong Chamber of Commerce, preparing for trip to Vietnam in June appeared eager to make business offers but frustrated because of embargo. Meanwhile, franchises for oil exploration and production are going to Western European countries.

E. Conversations with authorities as well as local population indicated that the recent economic transformation, i.e., the inventory of those controlling buying and selling of food, stocking consumer goods was aimed at lowering prices, releasing needed commodities for public use and breaking up parallel economy which prevented even distribution of available food stuffs. Monetary conversion had same goal.

F. Conversations regarding relations with China demonstrated distress at hostility between peoples of Vietnam and China, interest in resolving problems through negotiation, and concern that Vietnam's independence, for which they have struggled over the many centuries, be preserved. They are

as eager to be independent of the Soviet Union as of China but fear that not many are interested in seeing them attain that independence.

G. We also spent significant time in discussions with religious leadership, visits to new economic zones where we met with and spoke privately with former ARVN officers recently returned from re-education centers, we walked alone throughout Saigon and Hanoi and had sufficient command of Vietnamese and French to be able to speak with many persons.

H. For the first time an American agency was asked to consider sending North American personnel to assist in technical assistance, especially in teaching English. This is in keeping with Vietnam's many requests for American experience especially in field of solar energy, early childhood education, educating the culturally deprived etc. There is no doubt about their admiration of and interest in the American experience in many fields.

I. We feel that it is in America's greatest interest to begin some contact with Vietnam especially in trade, and in provision of food to prevent further disruption of persons, especially those who worked on US side and are now being hurt by continued US embargo, and we will gladly share our views and findings with you at your convenience. We feel the situation is nearing a danger point and serious consideration of policy review at this time is in order. We hope we can be of some assistance in shedding light on such a search for a creative program.

PFMc:dbg

THE WHITE HOUSE
WASHINGTON

6/16/78

TO. Rick Hatcherson

For Your Information: _____

For Appropriate Handling: ✓

RD
Robert D. Linder

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mel
RL
THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

June 15, 1978

Dear Mr. President:

In its May 15 issue, Time Magazine incorrectly reported that I had been critical of the manner in which you handled Bert Lance. This misstatement causes me considerable distress as it in no way reflects my feelings.

Time subsequently issued a retraction on June 5. In an effort to set the record straight, I am enclosing a copy for your information.

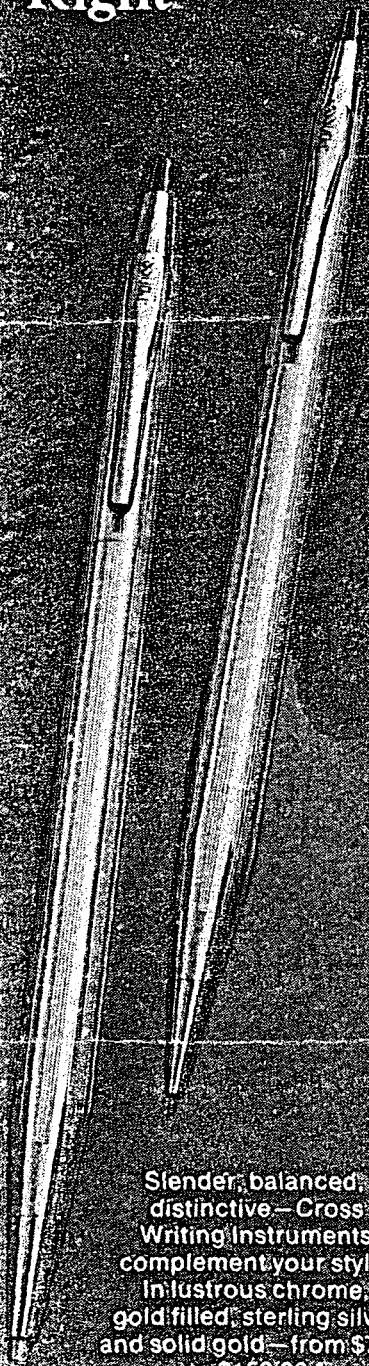
Respectfully,


Juanita M. Kreps

Enclosure

The President
The White House
Washington, D. C. 20500

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Letters

justments—perhaps a group of three people should hold the Chief Executive's job (one man and two women)—we will remember Carter's efforts to govern, as the last one-person President, as valiant.

*Patricia M. Black
Nutley, N.J.*

Are we "destroying" President Carter? I hope so.

*John W. Jones
Houston*

The populist who tries to please everyone winds up pleasing no one.

*M. Robert Paglee
Moorestown, N.J.*

It's great to live in a country that permits us the freedom to heap unlimited criticism upon our leaders, but don't you think we are abusing the privilege a bit too much?

*(Mrs.) Geraldine Gibbs
Oak Harbor, Ohio*

No Blast

TIME reported that "Commerce Secretary Juanita Kreps blasted [President] Carter's handling of the Bert Lance affair" [May 15]. This statement is not true, and I would appreciate your setting the record straight.

*Ernest A. Lotito
Director of Public Affairs
U.S. Department of Commerce
Washington, D.C.*

Mr. Lotito is correct. It was Agriculture Secretary Bob Bergland who called for Bert Lance's resignation.

Like It Is

Bravo, Jimmy! A man with the guts to say it like it is to doctors and lawyers [May 8], he has justified my vote.

*John K. Burkley
Cuyahoga Falls, Ohio*

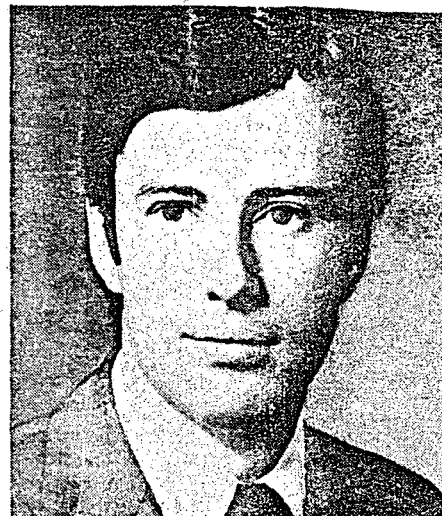
I would trust my lawyer more than I trust Carter's banker—Bert Lance.

*David F. Cargo
Lake Oswego, Ore.*

Powers-Abel Revisited

As general counsel of the Central Intelligence Agency at the time of the Powers-Abel exchange, I have personal knowledge of that episode, which is mentioned in your story on the recent prisoner-swapping triple play [May 15].

You say Wolfgang Vogel negotiated the exchange of Powers for Abel in 1962. This is inaccurate. The negotiations were begun by James B. Donovan, the lawyer who had defended Abel in court and had kept in touch with him in prison. Constantly keeping in touch with me, he carried on a subtle correspondence with "Mrs. Abel," leading up to a series of



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TIME, JUNE 5, 1978

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WASHINGTON, D.C. 20590

MAY 15 1978

FOR YOUR INFORMATION

MEMORANDUM FOR THE PRESIDENT

Attention: Mr. Rick Hutchinson, Staff Secretary

FROM: Brock Adams

A large, stylized handwritten signature of Brock Adams, written in dark ink. The signature is cursive and appears to read "Brock Adams".

SUBJECT: Violation of Antideficiency Act

This report of Antideficiency Act violation by the U.S. Coast Guard is submitted in accordance with the provisions of section 3679 of the Revised Statutes, as amended (31 USC 665).

The attached report discloses that obligations and expenditures were incurred in excess of the First Quarter apportionment for Fiscal Year 1978 in the Coast Guard Retired Pay appropriation. However, there is no violation of the amounts available in the appropriation.

After consideration of all the circumstances, I have accepted the Coast Guard's recommendation that disciplinary action is not necessary. The Coast Guard has taken action to improve its management and control of Retired Pay funds to preclude recurrence of this type of violation.

Reports identical with the attachment have been made to the President of the Senate and the Speaker of the House of Representatives.

Attachment

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Kraft & Gammill to Pres. Carter, w/attachments 5 pp., re:recommendations	6/15/78	C
Report	Report of Deficiency Act violations, 2 pg.	n.d.	C
Memo	Gerard Smith to Pres. Carter, 1 pg., re:Reactors	6/15/78	A
Letter	PM Callaghan to Pres. Carter, w/attachments 4 pp., re:Correspondence w/Foriegn Head-of-State	6/17/78	A
Memo	Henry Owen to Pres. Carter, w/attachments 11 pp., re:Legislative constraints on Foriegn Assistance	6/15/78	A
Memo	McIntyre & Owen to Pres. Carter, w/attachments 16 pp., re:Aid to Caribbean/Letters to Foriegn Heads-of State	6/15/78	A
Minutes	Cabinet Meeting Minutes, 9 pp.	6/19/78	A

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of the Staff Sec.-Presidential Handwriting File 6/19/78 [2] Box 92

RESTRICTION CODES

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